



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 68.03, **Tip and Gratuity Payments Received by Employees**

PURPOSE: The purpose of this Health Sciences Center Operating Policy/Procedure (HSC OP) is to define policies and procedures applicable to TTUHSC environments where tips and gratuities might be paid to TTUHSC Employees.

REVIEW: This HSC OP will be reviewed on November 1 of each even-numbered year (ENY) by the Chief Payroll Officer for Payroll and Tax Services and the Human Resources Policy Manager, with recommendations for revision forwarded to the Executive Vice President for Finance and Operations.

POLICY/PROCEDURE:

1. Background

The Internal Revenue Service has extensive guidelines and requirements for employer reporting and taxation of tip income received by employees (Internal Revenue Code Section 3121). TTUHSC has only a few areas where tips are potentially received by employees. The receipt of any tip or gratuity imposes substantial record keeping requirements on the part of each department potentially involved and on the university as a whole. Failure to properly account for all tip income received could result in IRS mandated allocation of tip income and tax liability to employees who never in fact receive such tips, as well as penalties to the university.

2. Policy

Receipt of tips or gratuities by individuals in the course of performing their job duties for TTUHSC is not allowed.

3. Procedure

- a. Each department operating an area where tip income might be received shall instruct all employees that retaining any tips received is against university policy and that failure to abide by this policy will result in disciplinary action up to or including termination. The department will take whatever action is necessary to publicize and enforce this policy. Areas impacted include but are not limited to restaurants, coffee shops, banquet facilities, bars, either temporary or permanent, snack bars, and mobile refreshment stands.
- b. Departments shall discourage the payments of tips by prohibiting the placement of tip jars or tip solicitations, and may post signs that tipping is prohibited.
- c. All cash tips received by employees are to be surrendered to the designated department representative who is responsible for depositing those monies into the appropriate department account. Any tips paid by credit card shall also be deposited to the appropriate department account. All tips received shall be treated as department revenue and be used for furthering department programs. No tips will be distributed back to employees either directly or indirectly.
- d. Any department which has an identifiable group of employees who might be adversely affected by this policy may make an offsetting adjustment to the base pay of such employees to compensate them fairly and competitively. Base pay is controlled by the

hourly or salaried rate authorized on an electronic Personnel Action Form (ePAF). Such adjustments will require vice presidential approval.

4. **Right to Change Policy**

TTUHSC reserves the right to interpret, change, modify, amend, or rescind this policy in whole or in part at any time without the consent of employees.