



550.1400

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

July 30, 1965

Gentlemen:

This is in reply to your letter of July 9 regarding the application of sales tax with respect to meals served by a restaurant to its employees.

The union agreement provides:

"All employees, other than Bartenders, shall be entitled to two meals per day for an 8-hour or 6-hour shift or \$1.00 in lieu thereof."

It is the employers' practice to pay each employee the \$1 meal allowance each day as an addition to earnings, and to deduct this amount when meals are consumed by employees, without regard to the actual retail value of such meals.

Inasmuch as the employees are allowed \$1 for meals in the union agreement and are specifically charged \$1 for meals, that amount is a specific charge which is subject to tax as indicated in the third paragraph of the interpretation of Ruling 53 dated December 11, 1965.

Since the value of the meals is set by union contract, and the employees are specifically charged the amount set by the contract, the last paragraph of the interpretation has no application.

Very truly yours,

George A. Trigueros
Associate Tax Counsel

GAT:o'b [lb]