



Minnesota Workers' Compensation  
Insurers Association, Inc.

7701 France Avenue South  
Suite 450  
Minneapolis, MN 55435-3203

952-897-1737 general  
952-897-6495 fax

[www.mwcia.org](http://www.mwcia.org)

November 16, 2023

## **ALL ASSOCIATION MEMBERS**

Circular No. 23-1831

**RE: NCCI ITEM B-1449 – Revisions to the Minnesota Basic Manual Rules Related to Service Charges and Automatic Gratuities**

The Minnesota Department of Commerce has approved the above filing to become effective for new and renewal policies effective on and after 12:01 a.m. on January 1, 2024. The purpose of this item is to revise payroll rules related to service charges and automatic gratuities in the ***Minnesota Basic Manual***.

Currently, the ***Minnesota Basic Manual*** rule, Rules for excluding from payroll tips or gratuities, excludes from payroll tips or other gratuities that are received by employees. The current rule does not address the treatment of service charges or automatic gratuities. Additionally, the rule that excludes tips and gratuities does not address whether the intent of the rule is meant to exclude only tips and gratuities that are given voluntarily.

Following are the revisions to the ***Minnesota Basic Manual***:

1. Establish a new rule, Rules for including service charges and automatic gratuities in payroll, to specify that service charges and automatic gratuities are included in payroll when the customer does not
  - determine the amount of the payment
  - determine who receives the payment, and
  - have the ability to reduce the payment amount below the set percentage or fee.
2. Revise the rule, Rules for excluding from payroll tips or gratuities, to add a definition for tips and other gratuities.

### **Exhibit 1**

Details the establishment of the rule, Rules for including service charges and automatic gratuities in payroll in the ***Minnesota Basic Manual***.

***MWCIA staff recommends to adopt the proposed change(s).***

**Exhibit 2**

Details the revisions to the rule, Rules for excluding from payroll tips or gratuities in the ***Minnesota Basic Manual***.

***MWCIA staff recommends to adopt the proposed change(s).***

The attached exhibits illustrate necessary changes to the ***Minnesota Basic Manual***. As in past filings, strikethroughs indicate deleted text while underlining indicates new or added text. A copy of National Council's original filing memorandum is also included to provide additional background information regarding Item B-1449.

Please direct any questions you may have concerning this item to MWCIA's Underwriting Department at 952-897-1737, Option 1, or email to [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

**A NOTICE TO MEMBERSHIP:**

MWCIA would like to remind our membership who have filed a Limited Power of Attorney with the Minnesota Department of Commerce that no materials referenced in this Circular Letter are required to be independently filed with the department.

**Effective January 1, 2024**

**EXHIBIT 1**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**1. Includes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>B. PAYROLL</p> <p>For purposes of this manual, the terms "payroll" and "remuneration" mean money or substitutes for money.</p> <p>1. Includes:</p> <ul style="list-style-type: none"> <li>a. Wages or salaries (including retroactive wages or salaries).</li> <li>b. Total pay received by an employee for commissions and draws against commissions.</li> <li>c. Bonuses including stock bonus plans. <i>Refer to Rule 2-D for payroll limitation rules.</i></li> <li>d. Extra pay for overtime work except as provided in Rule 2-C-2.</li> <li>e. Pay for holidays, vacations, or periods of sickness. <i>Refer to Rule 2-G for allocation of payroll for employees subject to more than one classification code.</i></li> <li>f. Payment by an employer of amounts that would have been withheld from employees to meet statutory obligations for</li> </ul>	<p>B. PAYROLL</p> <p>For purposes of this manual, the terms "payroll" and "remuneration" mean money or substitutes for money.</p> <p>1. Includes:</p> <ul style="list-style-type: none"> <li>a. Wages or salaries (including retroactive wages or salaries).</li> <li>b. Total pay received by an employee for commissions and draws against commissions.</li> <li>c. Bonuses including stock bonus plans. <i>Refer to Rule 2-D for payroll limitation rules.</i></li> <li>d. Extra pay for overtime work except as provided in Rule 2-C-2.</li> <li>e. Pay for holidays, vacations, or periods of sickness. <i>Refer to Rule 2-G for allocation of payroll for employees subject to more than one classification code.</i></li> <li>f. Payment by an employer of amounts that would have been withheld from employees to meet statutory obligations for</li> </ul>

**Effective January 1, 2024**

**EXHIBIT 1**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**1. Includes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>insurance or pension plans such as the Federal Social Security Act or Medicare.</p> <p>g. Payment to employees on any basis other than time worked, such as piecework, profit sharing or incentive plans.</p> <p>h. <del>RESERVED FOR FUTURE USE</del></p> <p>i. The rental value of an apartment or house provided to an employee based on comparable accommodations.</p> <p>j. The value of lodging, other than an apartment or house received by an employee as part of their pay to the extent shown in the employer's records.</p> <p>k. The value of meals received by employees as part of their pay to the extent shown in the employer's records.</p> <p>l. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay.</p> <p>m. Payments for salary reduction, employee savings plans, retirement or cafeteria plans (IRC 125), health savings accounts, and flexible accounts that are made through employee-authorized salary reduction from the employee's gross pay.</p>	<p>insurance or pension plans such as the Federal Social Security Act or Medicare.</p> <p>g. Payment to employees on any basis other than time worked, such as piecework, profit sharing or incentive plans.</p> <p>h. The rental value of an apartment or house provided to an employee based on comparable accommodations.</p> <p>i. The value of lodging, other than an apartment or house received by an employee as part of their pay to the extent shown in the employer's records.</p> <p>j. The value of meals received by employees as part of their pay to the extent shown in the employer's records.</p> <p>k. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay.</p> <p>l. Payments for salary reduction, employee savings plans, retirement or cafeteria plans (IRC 125), health savings accounts, and flexible accounts that are made through employee-authorized salary reduction from the employee's gross pay.</p> <p>m. Davis-Bacon wages or wages from a similar prevailing wage law.</p>

**Effective January 1, 2024**

**EXHIBIT 1**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**1. Includes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>n. Davis-Bacon wages or wages from a similar prevailing wage law.</p> <p>o. Annuity plans.</p> <p>p. Expense reimbursements to employees if the employer’s records do not confirm that the expense was incurred as a valid business expense. <i>Refer to Rule 2-B-2-h for Contractual allowable travel expenses.</i></p> <p><b>Exception:</b>            When it can be verified that the employee was away from home overnight on the business of the employer, but the employer did not maintain verifiable receipts for incurred expenses, a reasonable allowance is permitted to be excluded.</p> <p><i>Refer to Rule 2-B-2-h for additional information about exclusion of expense reimbursements.</i></p> <p>p. Payment for filming of commercials excluding subsequent residuals that are earned by the commercial’s participant(s) each time the commercial appears in any type of media.</p>	<p>n. Annuity plans.</p> <p>o. Expense reimbursements to employees if the employer’s records do not confirm that the expense was incurred as a valid business expense. <i>Refer to Rule 2-B-2-h for Contractual allowable travel expenses.</i></p> <p><b>Exception:</b>            When it can be verified that the employee was away from home overnight on the business of the employer, but the employer did not maintain verifiable receipts for incurred expenses, a reasonable allowance is permitted to be excluded.</p> <p><i>Refer to Rule 2-B-2-h for additional information about exclusion of expense reimbursements.</i></p> <p>p. Payment for filming of commercials excluding subsequent residuals that are earned by the commercial’s participant(s) each time the commercial appears in any type of media.</p>

**Effective January 1, 2024**

**EXHIBIT 1**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**1. Includes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>q. Adjustments made by the employer to raise employees' wages to federal, state, or local minimum wage, whichever is applicable.</p>	<p>q. Adjustments made by the employer to raise employees' wages to federal, state, or local minimum wage, whichever is applicable.</p> <p>r. <u>Service charges and automatic gratuities received by employees in payroll. Only the amount of the service charge or automatic gratuity received by employees is included in payroll. Service charges and automatic gratuities are set percentages or fees added to a bill or contract where the customer does not</u></p> <ul style="list-style-type: none"><li><u>determine the amount of the percentage or fee</u></li><li><u>determine who receives the percentage or fee, and</u></li><li><u>have the ability to reduce the payment amount below the set percentage or fee.</u></li></ul> <p><i><u>Refer to Rule 2-B-2-a for additional information about exclusion of tips or other gratuities received by employees.</u></i></p>

**Effective January 1, 2024**

**EXHIBIT 2**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**2. Excludes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>2. Excludes:</p> <ul style="list-style-type: none"><li>a. Tips or other gratuities received by employees.</li><li>b. Payments by an employer to group insurance or group pension plans for employees, other than those covered by Rule 2-B-1-f and Rule 2-B-1-m.</li><li>c. Payments by an employer into third-party trusts for the Davis-Bacon Act or a similar prevailing wage law provided the pension trust is qualified under IRC Sections 401(a) and 501(a).</li><li>d. The value of special rewards for individual invention or discovery.</li><li>e. Dismissal or severance payments except for time worked or vacation accrued.</li><li>f. Payments for active military duty.</li><li>g. Employee discounts on goods purchased from the employee’s employer.</li><li>h. Expense reimbursements to employees if the employer’s records confirm that the expense was incurred as a valid business expense.</li></ul>	<p>2. Excludes:</p> <ul style="list-style-type: none"><li>a. Tips or other gratuities received by employees. <u>Tips or other gratuities are optional payments added to a bill or contract where the customer</u><ul style="list-style-type: none"><li>• <u>determines the amount of payment</u></li><li>• <u>determines that the employees receive the payment for services provided, and</u></li><li>• <u>has the option to not add a payment to the bill or contract.</u></li></ul></li><li>b. Payments by an employer to group insurance or group pension plans for employees, other than those covered by Rule 2-B-1-f and Rule 2-B-1-m.</li><li>c. Payments by an employer into third-party trusts for the Davis-Bacon Act or a similar prevailing wage law provided the pension trust is qualified under IRC Sections 401(a) and 501(a).</li><li>d. The value of special rewards for individual invention or discovery.</li><li>e. Dismissal or severance payments except for time worked or vacation accrued.</li><li>f. Payments for active military duty.</li><li>g. Employee discounts on goods purchased from the employee’s employer.</li></ul>

**Effective January 1, 2024**

**EXHIBIT 2**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**2. Excludes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>Reimbursed expenses and flat expense allowances paid to employees may be excluded from the audit only if all three of the following conditions are met:</p> <ul style="list-style-type: none"> <li>(1) The expenses or allowances are incurred for the business of the employer</li> <li>(2) The amount of each employee’s expense or allowance is shown separately in the records of the employer</li> <li>(3) The amount of the expense or allowance approximates the actual expense incurred by the employee in the conduct of their work</li> </ul> <p><b>Note:</b> If an employer did not maintain verifiable receipts for incurred expenses for an employee that was away from home overnight on the business of an employer a maximum expense allowance is permitted to be excluded. <i>Refer to Rule 2-B-1-p Exception for the maximum employee expense allowance.</i></p>	<p>h. Expense reimbursements to employees if the employer’s records confirm that the expense was incurred as a valid business expense.</p> <p>Reimbursed expenses and flat expense allowances paid to employees may be excluded from the audit only if all three of the following conditions are met:</p> <ul style="list-style-type: none"> <li>(1) The expenses or allowances are incurred for the business of the employer</li> <li>(2) The amount of each employee’s expense or allowance is shown separately in the records of the employer</li> <li>(3) The amount of the expense or allowance approximates the actual expense incurred by the employee in the conduct of their work</li> </ul> <p><b>Note:</b> If an employer did not maintain verifiable receipts for incurred expenses for an employee that was away from home overnight on the business of an employer a maximum expense allowance is permitted to be excluded. <i>Refer to Rule 2-B-1-p Exception for the maximum employee expense allowance.</i></p>



**Effective January 1, 2024**

**EXHIBIT 2**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**2. Excludes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<p>Allowable travel expenses permitted by any contract with a federal, state, or local government entity, including, but not limited to, a city, borough, or village, are excluded from payroll. In lieu of verifiable receipts for incurred expenses, the employer must produce a copy of the contract provision permitting the travel expenses at audit. The allowable travel expenses must be in addition to the current wage of the employee.</p> <ul style="list-style-type: none"> <li>i. Meal money for late work.</li> <li>j. Work uniform allowances.</li> <li>k. Sick pay paid to an employee by a third party such as an employer's group insurance carrier that is paying disability income benefits to a disabled employee.</li> <li>l. Employer-provided perks such as:             <ul style="list-style-type: none"> <li>• Use of company-provided automobiles</li> <li>• Airplane flights</li> <li>• Incentive vacations (e.g., contest winners)</li> <li>• Discounts on property or services</li> </ul> </li> </ul>	<p>Allowable travel expenses permitted by any contract with a federal, state, or local government entity, including, but not limited to, a city, borough, or village, are excluded from payroll. In lieu of verifiable receipts for incurred expenses, the employer must produce a copy of the contract provision permitting the travel expenses at audit. The allowable travel expenses must be in addition to the current wage of the employee.</p> <ul style="list-style-type: none"> <li>i. Meal money for late work.</li> <li>j. Work uniform allowances.</li> <li>k. Sick pay paid to an employee by a third party such as an employer's group insurance carrier that is paying disability income benefits to a disabled employee.</li> <li>l. Employer-provided perks such as:             <ul style="list-style-type: none"> <li>• Use of company-provided automobiles</li> <li>• Airplane flights</li> <li>• Incentive vacations (e.g., contest winners)</li> </ul> </li> </ul>

**Effective January 1, 2024**

**EXHIBIT 2**

**Minnesota Basic Manual**

**Rule 2 – Premium Basis and Payroll Allocation**

**B. Payroll**

**2. Excludes**

<b>CURRENT PHRASEOLOGY</b>	<b>PROPOSED PHRASEOLOGY</b>
<ul style="list-style-type: none"> <li>• Club memberships</li> <li>• Tickets to entertainment events</li> <li>• Educational assistance</li> <li>• Relocation and moving expenses</li> </ul> <p>m. Employer contributions to employee benefit plans such as:</p> <ul style="list-style-type: none"> <li>• Employee savings plans</li> <li>• Retirement plans</li> <li>• Cafeteria plans (IRC 125)</li> <li>• Health savings accounts</li> <li>• Flexible spending accounts</li> </ul> <p>These include contributions made by the employer, at the employer's expense, which are determined by the amount contributed by the employee.</p>	<ul style="list-style-type: none"> <li>• Discounts on property or services</li> <li>• Club memberships</li> <li>• Tickets to entertainment events</li> <li>• Educational assistance</li> <li>• Relocation and moving expenses</li> </ul> <p>m. Employer contributions to employee benefit plans such as:</p> <ul style="list-style-type: none"> <li>• Employee savings plans</li> <li>• Retirement plans</li> <li>• Cafeteria plans (IRC 125)</li> <li>• Health savings accounts</li> <li>• Flexible spending accounts</li> </ul> <p>These include contributions made by the employer, at the employer's expense, which are determined by the amount contributed by the employee.</p>



JUNE 27, 2023

ITEM FILING ANNOUNCEMENT

CIF-2023-49

---

## Countrywide—Announcement of Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities

### ACTION NEEDED

Please review the changes outlined in the attachment to this circular for impact on your company's systems and procedures. Also, review the weekly *Status of Item Filings* circular for state approval of this item.

**Note:** Arkansas law does not permit NCCI to file rules and rates on its members' behalf. Therefore, insurance carriers must make an independent filing with the Arkansas Insurance Department electing to adopt, or not adopt, an item filing filed by NCCI and subsequently approved by the Department. When such a filing is made with the Department, make sure that the NCCI item filing number (not the NCCI circular number) is referenced.

**Caution:** At the time of distribution of this circular, this filing has been filed with the regulator but is **not yet approved**. This information is provided for your convenience and analysis. Please do not use this information until the regulator has approved the filing.

### BACKGROUND

NCCI has submitted Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities to the appropriate state regulatory authorities.

This item is applicable to new and renewal policies and is proposed to become effective on and after January 1, 2024, in all states indicated in the filing except Hawaii. In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

Additionally, this item has been submitted to certain independent bureaus for their consideration.

This item proposes to revise payroll rules related to service charges and automatic gratuities in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*.

Refer to the attachment for details on this item, including all state-specific treatments.

### IMPACT

As part of NCCI's continuing effort to simplify and clarify manual rules, we anticipate that the proposed changes will enhance the understanding of NCCI's *Basic Manual*. An employer may see an increase in premium, dependent on whether the newly established rule related to payroll service charges and automatic gratuities is different from how the policy is currently being written.

Statewide premium impact is not quantifiable but is expected to be negligible.

### NCCI ACTION

NCCI will take the following actions for Item B-1449:

- Issue a circular notifying you when the item is approved as filed, approved with changes, disapproved, or withdrawn
- Update the weekly *Status of Item Filings* circular on [ncci.com](http://ncci.com) with the latest state status
- Publish updated pages for NCCI's *Basic Manual* prior to the effective date, if approved

If you would like to subscribe to any of our manuals, please call our Customer Service Center at 800-NCCI-123 (800-622-4123).

**PERSON TO  
CONTACT**

If you have any questions, please contact:

Customer Service Center

NCCI

901 Peninsula Corporate Circle

Boca Raton, FL 33487-1362

800-NCCI-123 (800-622-4123)

Technical Contact:

Linda Bello

Senior Filing Consultant

NCCI

901 Peninsula Corporate Circle

Boca Raton, FL 33487-1362

561-893-3813

[linda\\_bello@ncci.com](mailto:linda_bello@ncci.com)

---

## Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities

### Filing Memorandum

---

#### Purpose

This item revises payroll rules related to service charges and automatic gratuities in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*.

#### Background

NCCI conducted a comprehensive review of *Basic Manual* rules related to payroll inclusions and payroll exclusions to determine the appropriate treatment for service charges and automatic gratuities.

NCCI's *Basic Manual* rule, Rules for excluding from payroll tips or gratuities, excludes from payroll tips or other gratuities that are received by employees. In all states except Montana, NCCI's *Basic Manual* rules do not address the treatment of service charges or automatic gratuities. Additionally, the *Basic Manual* rule that excludes tips and gratuities does not address whether the intent of the rule is meant to exclude only tips and gratuities that are given voluntarily.

Banquet halls, country clubs, and private clubs traditionally add a service charge to food and beverage sales. In some cases, members or patrons can adjust the service charge; in others, the amount is a set percentage in place of a tip or gratuity. Additionally, many restaurants have changed their business models to include service charges. These service charges can be in place of, or in addition to, a tip.

NCCI completed research and gathered valuable feedback related to the treatment of service charges and automatic gratuities. Key points of this research and feedback are as follows:

- Tips are "discretionary" payments by a customer that employees receive from customers.
- Service charges are "forced" fees added by the employer through a bill or contract.
- The Internal Revenue Service's (IRS) Publication 15, Employer's Tax Guide states "Service charges aren't tips; therefore, withhold taxes on service charges as you would on regular wages."
- Regarding the inclusion of service charges in payroll, NCCI received valuable feedback from carriers, including members of NCCI's Underwriting Committee and discussions at several Policy Research Advisory Committee (PRAC) meetings.

Based on NCCI's research and carrier feedback, NCCI determined that it is appropriate to establish a *Basic Manual* rule stating that service charges and automatic gratuities are included in payroll and define service charges and automatic gratuities.

#### Proposal

This item proposes the following revisions to NCCI's *Basic Manual*:

1. Establish a new rule, Rules for including service charges and automatic gratuities in payroll, to specify that service charges and automatic gratuities are included in payroll when the customer does not
  - determine the amount of the payment
  - determine who receives the payment, and
  - have the ability to reduce the payment amount below the set percentage or fee.
2. Revise the rule, Rules for excluding from payroll tips or gratuities, to add a definition for tips and other gratuities.
3. Revise state rules in Connecticut and Nevada as described in the Exhibit Comments and Implementation Summary section.

The enclosed materials are copyrighted materials of the National Council on Compensation Insurance, Inc. ("NCCI"). The use of these materials may be governed by a separate contractual agreement between NCCI and its licensees such as an affiliation agreement between you and NCCI. Unless permitted by NCCI, you may not copy, create derivative works (by way of example, create or supplement your own works, databases, software, publications, manuals, or other materials), display, perform, or use the materials, in whole or in part, in any media. Such actions taken by you, or by your direction, may be in violation of federal copyright and other commercial laws. NCCI does not permit or acquiesce such use of its materials. In the event such use is contemplated or desired, please contact NCCI's Legal Department for permission.

**Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities**

**Filing Memorandum**

**Impact**

As part of NCCI's continuing effort to simplify and clarify manual rules, we anticipate that the proposed changes will enhance the understanding of NCCI's **Basic Manual**. An employer may see an increase in premium, dependent on whether the newly established rule related to payroll service charges and automatic gratuities is different from how the policy is currently being written.

Statewide premium impact is not quantifiable but is expected to be negligible.

**Exhibit Comments and Implementation Summary**

Exhibit	Exhibit Comments	Implementation Summary
1	Details the establishment of the rule, Rules for including service charges and automatic gratuities in payroll (Rule ID: BM-PAYI-SCF23), in NCCI's <b>Basic Manual</b> . <ul style="list-style-type: none"> <li>• Applies in: AK, AL, AR, AZ, CO, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, NE, NH, NM, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV</li> <li>• Refer to state exhibits for CT and NV</li> </ul>	<ul style="list-style-type: none"> <li>• In all states where applicable, except Hawaii, this item is to become effective for new and renewal policies with effective dates on and after 12:01 a.m. on January 1, 2024.</li> <li>• In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.</li> </ul>
2	Details the revisions to the rule, Rules for excluding from payroll tips or gratuities (Rule ID: BM-PAYE-RAE1F), in NCCI's <b>Basic Manual</b> . <ul style="list-style-type: none"> <li>• Applies in: AK, AL, AR, AZ, CO, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, NE, NH, NM, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV</li> <li>• Refer to state exhibits for CT and NV</li> </ul>	
<b>State Exhibits</b>		
3	Details the revisions to the rule, Rules for excluding from payroll tips or gratuities (Rule ID: BM-PAYE-RAE1F), in NCCI's <b>Basic Manual</b> for Connecticut to add the term "service charges."	This item is to become effective for new and renewal policies with effective dates on and after 12:01 a.m. on January 1, 2024.
3	Details the revisions to the rule, Rules for including tips or gratuities in payroll (Rule ID: BM-PAYI-R79CC), in NCCI's <b>Basic Manual</b> for Nevada to conform with NV ADC 616A.200(13) & (14).	

The enclosed materials are copyrighted materials of the National Council on Compensation Insurance, Inc. ("NCCI"). The use of these materials may be governed by a separate contractual agreement between NCCI and its licensees such as an affiliation agreement between you and NCCI. Unless permitted by NCCI, you may not copy, create derivative works (by way of example, create or supplement your own works, databases, software, publications, manuals, or other materials), display, perform, or use the materials, in whole or in part, in any media. Such actions taken by you, or by your direction, may be in violation of federal copyright and other commercial laws. NCCI does not permit or acquiesce such use of its materials. In the event such use is contemplated or desired, please contact NCCI's Legal Department for permission.

**Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities**

---

**Exhibit 1****Basic Manual—Effective 2021**

(Applies in: AK, AL, AR, AZ, CO, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, NE, NH, NM, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**Rules for including service charges and automatic gratuities in payroll**

**Rule ID: BM-PAYI-SCF23**

*Effective Date: January 1, 2024*

Include service charges and automatic gratuities received by employees in payroll. Only the amount of the service charge or automatic gratuity received by employees is included in payroll.

**Service charges and automatic gratuities**

Service charges and automatic gratuities are set percentages or fees added to a bill or contract where the customer does not

- determine the amount of the percentage or fee
- determine who receives the percentage or fee, and
- have the ability to reduce the payment amount below the set percentage or fee.

**References****Refer to**

- [Rules for excluding from payroll tips or other gratuities, and](#)
- NCCI's *Basic Manual User's Guide* for an example of service charges and automatic gratuities.

**Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities**

---

**Exhibit 2**

**Basic Manual—Effective 2021**

**(Applies in: AK, AL, AR, AZ, CO, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, NE, NH, NM, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)**

**Rules for excluding from payroll tips or other gratuities**

Rule ID: BM-PAYE-RAE1F

Effective Date: ~~November 1, 2021~~ January 1, 2024

Exclude from payroll tips or other gratuities received by employees.

**Tips or other gratuities**

Tips or other gratuities are optional payments added to a bill or contract where the customer

- determines the amount of payment
- determines that the employees receive the payment for services provided, and
- has the option to not add a payment to the bill or contract.

**References**

Refer to [Rules for including service charges and automatic gratuities in payroll.](#)



**Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities**

---

**Exhibit 3  
Basic Manual—Effective 2021—Connecticut**

**Rules for excluding from payroll tips, service charges, or other gratuities**

**Rule ID: BM-PAYE-RAE1F**

*Effective Date: ~~November 1, 2021~~ January 1, 2024*

Exclude from payroll tips, service charges, or other gratuities that are received by employees or are itemized or otherwise included in a bill.

**Item B-1449—Revisions to Basic Manual Rules Related to Service Charges and Automatic Gratuities**

---

**Exhibit 3  
Basic Manual—Effective 2021—Nevada**

**Rules for including tips ~~or gratuities~~ in payroll**

Rule ID: BM-PAYI-R79CC

Effective Date: ~~November 1, 2021~~ January 1, 2024

~~Include tips or other gratuities received by employees in payroll.~~ In accordance with NV ADC 616A.200(13) & (14), include in payroll

1. tips collected and disbursed by employers which were not paid at the discretion of the customer, and

2. tips not included in #1, above, which the employee has reported pursuant to 26 USC 6053(a).