



## **Why Charge a Service Fee?**

### **In the traditional tipping model, do servers keep all their tips?**

No, there has always been a practice of tip pooling where the tip amount is distributed between the server, bar staff and support staff including bussers and hostesses.

### **How are employees compensated in a service charge model?**

Each member of the service team is paid an hourly wage and a commission. Pomegranate includes the ability for guests to leave an additional gratuity which goes directly to the server.

### **Are service charges considered wages, tips, or a benefit for employees?**

A service charge is the property of the restaurant and the restaurant then pays hourly rates, commissions and revenue share to employees which are subject to wage-related taxes and are reported by the employer to the IRS.

### **What are the benefits of a service charge model?**

**Employees:** Our team is made up of professionals who have made hospitality their career. They have families, are homeowners, and active members of their community. The service charge model, combined with the ability for guests to leave additional gratuity for excellent service, ensures a sustainable model for our team to continue to receive compensation and benefits. For example, our servers are paid a 15% commission on sales, plus a base meeting minimum wage, which results in \$25-\$35 hourly pay plus benefits.

**The Company:** Pomegranate has been using a service charge model for Private Dining business for over 12 years, therefore we already have extensive experience with this model. The advantage is that we meet the state minimum wage and then a commission, rather than the city of Redmond's minimum wage. The delta between the two saves money for our company, while ensuring that our employees continue to do well.

**The Government:** Because taxes are paid on the service charge, state, and local government benefit from increased tax revenue.