



The Lobster Pot

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MEMO

TO: ALL DIRECTLY TIPPED EMPLOYEES

RE: DECLARING TIPS

The purpose of this memo is to fully explain the Lobster Pot's policy regarding your requirements in the reporting of tip income. By signing at the bottom of this form, you acknowledge that you fully understand what is required of you and what can result in not properly reporting your tip income. If you need to review the guidelines that the IRS requires you to follow in declaring tip income, please refer to the brochure "Tips on Tips" available in the office.

Tip reporting follows three basic concepts:

1. 100% of tips are taxable & must be reported – minus what you "tip out" to others, all tips (cash & charge) are to be declared. In the case of bartenders, this includes monies received as a result of a "tip out" from a server.
2. Reporting tips in a timely fashion – we require you to declare your tips at the end of each shift.
3. Record keeping – as explained in the attached brochure, you are required to keep adequate records of all tipped income. Additionally you are required to keep adequate records for tips paid out to others (bus people, service bartenders). This is not the responsibility of the Lobster Pot & if audited, you place yourself in a penalty position if you cannot provide the proper records.

Please keep in mind the following:

- The Lobster Pot is required to report to the IRS all server sales and declared tips. Once reported, these numbers easily demonstrate whether you are following the 100% guidelines. This is not rocket science and there is no easy way around making the numbers look like something other than what they are.
- "Red flags" immediately go up on individuals that are under reporting.
- In the event of an audit, it will no doubt be the entire restaurant that is audited, not only the obvious "red flags". Under reporting places not only you, but your coworkers in a potential audit and penalty position.
- It is our responsibility to inform you of the rules, but not to play "tip police". You alone are responsibility for 100% tip reporting.

By signing & returning this memo, you indicate to us that you understand what is required of you in declaring your tipped income.

Signature-

Print Name-

Date-