

Managers Tip Policy

Sanctuary Social

Version: 1.1

Effective Date: January 27th, 2026

Applies To: All Managers, Shift Leads acting as Managers, and Owners acting in an operational or supervisory capacity

Purpose

This policy establishes clear and consistent rules for handling tips (gratuities) when service is provided by management. The purpose is to ensure compliance with federal and Kentucky wage laws, protect employee tips, address Toast POS limitations, and eliminate guest confusion during manager-only service situations.

Core Rule (Non-Negotiable)

Managers may never accept, retain, or receive tips (gratuities) under any circumstance.

This rule applies regardless of:

- Whether the manager personally served the guest
- Whether no servers or bartenders were scheduled
- Whether the guest intended the tip for the manager
- Whether Toast displays a tip line on the check

Legal Basis

Under the Fair Labor Standards Act (FLSA), as enforced by the U.S. Department of Labor, tips are the property of non-managerial employees. Managers and supervisors are prohibited from keeping tips, even when performing service work. Kentucky follows these federal standards.

Toast POS Limitation (Acknowledged)

Sanctuary Social uses Toast POS. Toast:

- Displays a **tip line on all checks**
- Does **not** allow tip prompts to be disabled by job code

This technical limitation **does not make manager tips legal**. Compliance is achieved through **manager procedures and behavior**, not POS settings.

Required Guest Communication (Mandatory Script)

When a manager is providing guest service and **before presenting the payment screen**, the manager must proactively inform the guest using the following approved script:

“I’m a manager, so I can’t accept tips — but we do have a service charge that supports operations.”

Purpose of This Script

- Prevents guest confusion before checkout
- Reduces accidental gratuities caused by Toast’s tip line
- Reinforces that tips are not accepted during manager-only service

Managers may not:

- Suggest tipping
- Refer to the service charge as a gratuity
- Imply the service charge benefits the individual manager

Failure to use the approved script may result in corrective action.

Required Manager Actions

If a Tip Appears on a Manager Check

Managers must take **immediate corrective action**:

1. **Remove the tip before closing the check, or**
2. **Refund the tip immediately after payment**

If the tip **cannot be removed or refunded**:

- Escalate immediately to ownership or senior leadership
- Document the incident (date, check number, amount)
- Do **not** distribute or retain the funds

Managers must never close a check with a tip applied.

When No Tipped Employees Are On Site

If:

- A manager is the only front-of-house person working, and
- No non-managerial tipped employees (servers, bartenders, hosts, bussers) are clocked in

Then:

-  The manager may not keep the tip
-  The business may not keep the tip
-  The tip may not be held or reassigned later

Correct action: decline, remove, or refund the tip.

Service Charge (Approved Alternative)

When managers provide service without tipped employees present, the approved alternative is a **Service Charge (Not a Gratuity)**.

Service Charge Rules

- Must be clearly labeled as a **service charge**
- Must state it is **not a tip or gratuity**
- Must be disclosed to the guest before payment
- Service charges belong to the business and may be used for wages or operational costs

Service charges are governed by a separate policy and are **never included in tip pools**.

Online, Takeout, and Catering Tips

- Managers are never eligible to receive tips from online, takeout, or catering orders.
- If a manager is the only person on site when such a tip is left:
 - The tip must be removed or refunded
 - It may not be retained or redistributed

Owner Clarification

Owners acting in an **operational, supervisory, or managerial capacity** are treated the same as managers for tip purposes.

Owners may not accept or retain tips during normal restaurant operations.

The narrow “owner-only service” exception is rare and should not be relied upon without prior legal review.

Prohibited Actions (Strictly Forbidden)

Managers may not:

- Keep tips “just this once”
- Allow tips to remain on manager-only checks
- Transfer tips to employees who were not working
- Pool manager tips with employee tips
- Reclassify a tip as a service charge after payment
- Retain tips as business revenue

Documentation & Enforcement

- All managers must review and acknowledge this policy
- Tip-handling errors must be reported immediately
- Violations of this policy may result in corrective action, up to and including termination

Manager Acknowledgment

By working in a managerial capacity at Sanctuary Social, managers acknowledge that they understand and agree to comply with this Managers Tip Policy, including the requirement to proactively inform guests, remove or refund any gratuity appearing on a manager-only check, and never accept or retain tips.