

New Legislation Prevents Food Delivery Platforms From Retaining Amounts Designated as Tips or Gratuity

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California's Governor passed [Assembly Bill 286](#) (AB 286) which amends the Fair Food Delivery Act of 2020. AB 286 makes it unlawful for a food delivery platform to charge a customer any purchase price for food or beverage that exceeds the price posted by the food facility on the food delivery platform's internet website at the time of the order. AB 286 also prohibits food delivery platforms from retaining any portion of amounts designated as a tip or gratuity. Instead, the food delivery platform must pay the entire tip or gratuity to the person delivering the food or beverage, and any tip or gratuity for a pickup order directly to the food facility. Finally, AB 286 requires the platform to disclose to the customer and the food facility certain specified information related to fees, commissions, and costs charged to both parties.

AB 286 fits the National Restaurant Association's Public Policy Principles for Third-Party Delivery, which is a set of guidelines enacted to ease tensions between restaurants and third-party delivery services. One of the key guidelines is that "Restaurants deserve transparency on fees charged by third-party delivery companies."

California is not the first to pass legislation to address transparency in delivery services. New York City and Chicago have passed similar legislation, and the State of Nevada is not far behind. Several delivery companies have already adjusted national operations to get ahead of the legislation and eliminate existing tensions.

This bill takes effect on January 1, 2022.

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