



Beginning July 1, 2024, the “Honest Pricing Law” or “Hidden Fees Statute,” SB 478, makes it illegal for businesses to advertise or list a price for a good or service that does not include all required fees or charges other than certain government taxes and shipping costs. SB 478 is a price transparency bill. The statute does not change what price a business can charge or what may be included in that cost. The law simply requires that the price listed include all mandatory charges.

Put simply, **the price a Californian sees should be the price they pay.**

In order to help businesses comply with this new law, and to offer consumers guidance about what they can expect, the Attorney General’s Office is releasing a set of FAQs. The law is found at Section 1770(a)(29) of the California Civil Code.

What is the purpose of this law?

The law is “intended to specifically prohibit drip pricing, which involves advertising a price that is less than the actual price that a consumer will have to pay for a good or service.” Advertising or listing a price that is less than what a consumer will eventually be charged is a form of deceptive advertising that also violates existing state and federal law. Truthful price advertising and listing helps businesses compete fairly on price and allows consumers to make accurate price comparisons.

What does the new law require?

The law requires honest pricing. It prohibits businesses from “[a]dvertising, displaying, or offering a price for a good or service that does not include all mandatory fees or charges” other than government-imposed taxes or fees or reasonable shipping costs. The text of the law can be found at section 1770(a)(29) of the California Civil Code.

What can a business exclude from the advertised price under this law?

The listed or advertised price does not need to include taxes and/or fees that the government imposes on the transaction, such as sales tax. In addition, the listed or advertised price does not need to include reasonable shipping costs for physical goods.

Which businesses need to follow this law?

The law applies to the sale or lease of most goods and services that are for a consumer’s personal use. For example, it applies to event tickets, short-term rentals, hotels, restaurants, and food delivery, just to name a few prominent industries. The law does not apply to the purchase or lease of goods or services for commercial use, or to certain other specified transactions and industries that are already subject to other laws governing pricing.

Does the law limit how much a business can charge for a good or service?

No. SB 478 is a transparency law – not a price control law. A business is generally free to charge whatever amount it wants for a good or service, to provide a subsequent breakdown of the various fees or charges that are included in its listed or advertised price, and to tell the consumer about those fees and charges. But the posted price must include all amounts that the consumer will be required to pay.

Does the new law limit what types of fees a business can charge?

No. A business is generally free to charge however much it wants and can then provide a breakdown of the various fees that are included in its listed or advertised price. But the posted price must include the full amount that a consumer must pay for that good or service.

Can a business exclude shipping and handling charges from its advertised price?

A business can exclude shipping charges, but not handling charges. In the words of the statute, a business can exclude from its advertised price “[p]ostage or carriage charges that will be reasonably and actually incurred to ship the physical good to the consumer.” Like any other mandatory fee or charge, a *handling* charge must be included in the advertised price.

Do fees for optional services or features need to be included in the advertised price?

No. Fees for optional services or features do not need to be included in the advertised price.

What about separate fees like late fees for equipment rentals, charges for smoking in a hotel room, or similar charges? Are those prohibited?

The law requires mandatory fees to be included in advertised prices. Fees that are contingent on certain later conduct by a consumer, such as a fee for returning rented equipment after the deadline to do so, or charges for smoking in a non-smoking hotel room, are not mandatory and do not need to be included in the advertised price.

Can a business comply with this law by disclosing additional required fees before a consumer finalizes a transaction?

No. The price listed to the consumer must be the full price that the consumer is required to pay.

Can a business comply with this law by advertising a price that is less than what a consumer will actually have to pay, but disclosing that additional fees will be added?

No. The price advertised to the consumer must be the full price that the consumer is required to pay.

Can a business comply with this law by listing or advertising one price and separately stating that an additional percentage fee will apply?

No. The price listed or advertised to the consumer must be the full price that the consumer is required to pay.

Can a business comply with this law by advertising the total price for a good or service and separately noting that the total price includes certain fees and charges?

Yes. The price advertised to the consumer must be the full price that the consumer is required to pay. But the law does not limit a merchant’s ability to include fees or charges in that total price, or to tell consumers that its prices include those fees or charges.

Does this law prohibit a business from advertising one price and adding a variable service fee later in the transaction?

Yes. The price listed or advertised to the consumer must be the full price that the consumer is required to pay.

What if a business doesn't know how much it will charge a customer?

If a business chooses to list a price for a good or service, the advertised price must be the entire amount the consumer will have to pay, not including any fees for optional services or features, taxes, or shipping charges. Businesses that do not know how much they will charge a customer at the beginning of a transaction should wait to display a price until they know how much they will charge. Businesses should be aware that other state and federal laws prohibit certain forms of price discrimination.

How can a food-delivery platform advertise its delivery price?

Food delivery platforms are subject to special requirements under Business and Professions Code section 22598 et seq. when they list the prices charged by a restaurant from which they deliver food, and this law does not change those requirements. But when the food delivery platform advertises the price of the delivery service that it provides, it must advertise the full, all-in price of the delivery service.

Are fees associated with delivery of food and other items ordered directly from a restaurant considered to be “mandatory fees or charges,” such that those fees would need to be included in the advertised or displayed price of the food and other items?

No, fees for the delivery of food ordered directly from a restaurant do not need to be included in the advertised price of the food or other items ordered because those fees are for the separate service of delivery. The price of delivery must be the full, all-in price of the delivery service.

Can a business exclude from the advertised or listed price mandatory charges that will be used to pay business costs, such as security, rent, or salary, healthcare insurance or benefits to employees (e.g., “Healthy SF mandate”)?

No. The listed or advertised price must include all mandatory charges except for reasonable shipping costs for physical goods and taxes and/or fees that the government imposes on the transaction, such as sales tax. A business is free to provide a subsequent breakdown of the business's intended use of the various fees.

What about tips or gratuities left voluntarily by customers?

This law does not affect tips or gratuities left by customers, since they are not mandatory. These voluntary payments to workers are governed by other laws, including Labor Code section 350. For more information see this [FAQ from the California Labor Commissioner](#).

What about mandatory fees charged by restaurants?

If a restaurant charges a mandatory fee, it must be included in the displayed price. Under the law, a restaurant cannot charge an additional surcharge on top of the price listed. Gratuity payments that are not voluntary must be included in the list price.

Does DOJ expect that its initial enforcement of this law will focus on existing fees that are paid directly and entirely by a restaurant to its workers, such as an automatic gratuity?

No. There are many factors that we consider when making enforcement decisions, but we do not expect that our initial enforcement efforts will focus on existing fees that are paid directly and entirely by a restaurant to its workers, such as an automatic gratuity. However, businesses may be liable in private actions.

Does a business that offers discounts or coupons, or charges a customer less than the advertised or listed price, violate this law?

No. A business that offers discounts or otherwise charges a customer a price that is less than the advertised price has not violated this law. The law just prohibits advertising a price that is *less* than what the customer will have to pay for a good or service.

Can businesses still advertise discounts – for example, “half price after 4pm”?

Yes. SB 478 prohibits advertising a price that is less than what a consumer will have to pay for a good or service. Advertisements that mention discounts – but that do not list a price – do not violate the law. However, other California laws prohibit advertising that is false or misleading, so businesses that advertise discounts must do so carefully and honestly.

Is the resale of goods, such as event tickets, on an online platform subject to the law?

Yes. SB 478 prohibits advertising a price that is less than what a consumer will have to pay for a good or service. It applies equally to online and brick-and-mortar businesses, as well as to the resale of event tickets and other goods and services.

Isn't it helpful for a business to inform consumers about the components of a price, such as by noting why price increases have been implemented?

Businesses are free to explain how they set their prices or to subsequently itemize the charges that make up the total price that they charge customers. However, the price they advertise or display must be the total price that customers will have to pay for the good or service. Knowing the price of a good or service is essential to competition, and displaying a price that is less than what the customer will actually be charged is deceptive.