

Client Alert

June 2024

California's Transparency Pricing Law Goes Into Effect July 1, 2024

Without waiting for new federal laws or federal regulators to take action against drip pricing, California is once again leading the way by enacting "Hidden Fee Statute" SB 478, which prohibits businesses from advertising or listing a price for a good or service that does not include all required fees or charges other than certain taxes (such as sales tax) and shipping costs. While this law applies to California sales, given the borderless nature of ecommerce, the mandatory pricing disclosure law will likely impact many businesses, particularly those that use the internet for sales.

Under the new law, a business can generally charge whatever amount it wants for a good or service, but the listed price for a consumer good or service must generally include the full amount that a consumer will pay for that good or service. Unlike the FTC's proposed junk fee regulations, the California statute does not dictate what price a business can charge or what may be included in that cost. It simply requires that the price listed include the mandatory charges consumers will be required to pay, enhancing the ability to comparison shop. Essentially, the total cost must be disclosed at the outset in the listed price, and not simply before the consumer finalizes the transaction.

In advance of the law's July 1, 2024 effective date, the California Attorney General has issued a series of FAQs, designed to help businesses comply with the new law. See [SB 478 FAQ \(B\).pdf \(ca.gov\)](#). The FAQs make clear that the law only applies to consumer transactions for personal use, such as tickets, hotels and other short-term rentals (such as Airbnbs), restaurants and food delivery. The law does not apply to commercial (B2B) transactions. The FAQs provide helpful guidance on the Attorney General's interpretation of the law.

Say Goodbye to Shipping and Handling?

Note that while businesses need not include shipping costs in the total price, the listed price must include any mandatory handling fees, even though they are typically bundled with shipping. Moreover, it is not

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sufficient to state that additional fees will apply, or that a variable service fee will apply. The FAQs make clear that in the event a business does not know the total price at the beginning of a transaction, it “should wait to display a price until they know how much they will charge.” Given the complexity of online pricing, compliance will obviously be challenging for many businesses.

Takeaway: The new law requires merchants to consider their advertising pricing carefully, making sure that all mandatory fees are included in the listed price at the outset. Amounts that may be excluded from the listed price, such as mandatory shipping charges (not handling) and sales tax, are limited.

Please contact the Olshan attorney with whom you regularly work or the attorney listed herein if you would like to discuss further or have questions.

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