

AVOIDING A CLASS-ACTION LAWSUIT

HOW STARBUCKS LOST \$3 MILLION

Companies of all sizes face similar risks when it comes to providing fair (and defensible) mileage reimbursement to their employees. Understanding these risks is key to protecting your business against issues surrounding noncompliance, fraud, and potential litigation. To demonstrate the cost associated with an inaccurate mileage reimbursement program, [consider the case of Starbucks Corporation](#). In 2007, the coffee chain was slapped with a class-action lawsuit filed by their employees.

What Happened: Key Facts from The Case

Store managers and supervisors working in California Starbucks locations between March 2003 – March 2008 had a similar experience when driving their personal vehicles for business purposes. The common denominator – the employees claimed that they were never reimbursed for this business mileage.

The main plaintiff, Jonelle Lewis, first filed the lawsuit against Starbucks and resigned from her position there in March 2007. **Lewis argued that she was never compensated for the expenses accrued when using her own vehicle to perform her job.** These duties included making bank deposits, purchasing necessary supplies, and attending meetings. When Lewis requested compensation from her employer, the company told her there was no policy requiring them to do so. The plaintiff claimed she asked for reimbursement on several occasions and never received payment.

The Coffee Industry Isn't the Only One at Risk



It's not just this specific case against Starbucks where companies have been slapped with lawsuits related to inaccurate mileage reimbursement. Other industries and retailers like Domino's, RadioShack, and Walgreen's have faced similar cases. These have all proven costly with the corporations paying out millions of dollars in settlements.

[Learn about the top 10 reimbursement lawsuits ►](#)



What Is CA-2802?

In California, employers must compensate their employees for any expenses associated with performing their job duties or following the directions of the employer. This includes mileage reimbursement for employees required to drive to do their job. Companies should have a formal mileage reimbursement program defined in their corporate policy to avoid a lawsuit.

To file a violation of CA-2802, an employee must show:

1. They're an employee
2. They incurred necessary expenses to perform their job
3. The employer failed to reimburse them for these expenses

California Labor Code section 2802 states that companies are required to compensate their employees for the expenses they incur performing their job duties. In the case of Starbucks vs Lewis, employees working in California argued exactly this. Under CA-2802, they claimed they were never fairly reimbursed for the business mileage accrued on their personal vehicles. Starbucks denied liability but ultimately settled the case for \$3 million. This included payments of \$30-\$75 to the employees who were eligible for reimbursement and a \$25,000 fee to the CA Labor and Workforce Department Agency.

Failing to reimburse their employees cost a large corporation like Starbucks millions. Aside from the threat of a class-action lawsuit, *companies who inaccurately reimburse their employees lose approximately \$3,000 per employee every year*. Implementing a fair, accurate, and defensible mileage reimbursement program will protect and save your business thousands, if not millions, as seen in the Starbucks case.

Mileage Reimbursement is

Fair. Accurate. Defensible. Tax-Free.

To comply with IRS regulations, companies must adhere to specific requirements around mileage tracking and reimbursement. Recommended by the IRS, Fixed and Variable Rate (FAVR) Reimbursements programs provide fair and accurate reimbursements based on fixed and variable costs. These programs are defensible in the case of an IRS audit and allow companies to save on tax-waste.

[Learn more about defensible mileage reimbursement ►](#)

How It Could Have Been Avoided:

Preventive Measures



Understand the law

A lack of awareness around proper mileage reimbursement policies can prove costly for a business. As was the case for Starbucks, which is just one example of a company unaware of their legal responsibility to fairly reimburse their employees for business mileage.

Understanding state-regulated laws and IRS compliance regulations is a critical first step for a business with a mobile workforce. These companies should then evaluate the different reimbursement options available to help them achieve compliance and fairly reimburse their employees. If Starbucks had taken these steps, they likely would have avoided the class-action lawsuit they faced in 2007.



Implement corporate policies

Once a company understands these requirements, they need to implement a policy for compensating their employees fairly. One way to institute this type of policy is to incorporate it into the company's over-arching corporate policy. For example, within the company handbook, outline the policy, providing details regarding when an employee is owed reimbursement. This avoids confusion and informs management about how to proceed appropriately.

For Starbucks, they allegedly told Lewis there was no company policy requiring them to reimburse her. If they had understood the laws and outlined a process for reimbursement in their company policy, they could have potentially prevented the lawsuit.



Introduce a mileage reimbursement program

Once this is part of the company's formal HR policies, organizations should then introduce a program to accurately reimburse their employees. There are a few options available to businesses with mobile employees, some more accurate than others.

When choosing a vehicle reimbursement program, factor in both **fixed and variable costs** associated with driving business miles. To ensure fair reimbursement, account for fixed costs like insurance, registration fees, taxes, and vehicle depreciation. For variable costs, things like gas, oil, maintenance, and tire wear (all specific to a geographic region) should also be accounted for.

There are solutions available to businesses of all sizes, helping them to reimburse their employees for both their fixed and variable costs. Within these solutions, mobile employees can track their daily business mileage and be accurately reimbursed by their employer.

Are you interested in getting started?



REQUEST A DEMO
of the **Motus reimbursement solution** ►

Taking advantage of the reimbursement technology available saves time and money for businesses. If Starbucks had leveraged a mileage reimbursement solution, they could have avoided a \$3 million pay-out to their employees.



Communicate to employees

An important final step is to communicate to your employees the company's mileage reimbursement policy and program. This should include communication regarding what payment they're entitled to and how they can be reimbursed by the company. For business mileage reimbursement, the employee will need to track their business miles and input them into a program to receive payment.

After making the mobile workforce aware, take next steps to ensure they understand what's required of them to get paid back by the company. For example, companies can offer training sessions on the technologies they're leveraging or host a company all-hands meeting when implementing the program. Whichever method businesses choose to communicate these policies; they must ensure their employees are aware of the policy. If Starbucks had made Joelle Lewis aware of her rightful compensation, they wouldn't have faced her in a court room.



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Avoiding a Lawsuit:

Takeaways for Your Business

Reviewing the Starbucks lawsuit demonstrates the importance in having a fair, accurate, and defensible mileage reimbursement program for any business with mobile workers. Considering the consequences Starbucks faced for denial of reimbursement, businesses are at risk of losing money and facing litigation if they follow this approach. Knowing the facts, laws, and policies will help a business to be compliant, keep their employees satisfied, and avoid dealing with headaches like class-action lawsuits.

Introducing the appropriate mileage reimbursement program will keep both the business and employees safe from these risks. Technology like the Motus mileage tracking and reimbursement solutions offer businesses peace of mind and cost savings. [Learn more](#) about how your company can fairly reimburse your employees leveraging the mobile enterprise platform from Motus.

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