

119TH CONGRESS
1ST SESSION

H. R. 6295

To amend the Internal Revenue Code of 1986 to permanently exclude from gross income certain reported tips for workers in eligible service sectors, to better support low- and moderate-income earners, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 25, 2025

Mr. DAVIS of North Carolina introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permanently exclude from gross income certain reported tips for workers in eligible service sectors, to better support low- and moderate-income earners, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as “The Working for Tips Tax
5 Relief Act of 2025”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME FOR CERTAIN**
 2 **REPORTED TIPS.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-
 4 ter 1 of the Internal Revenue Code of 1986 is amended
 5 by inserting after section 139J the following new section:

6 **“SEC. 139K. EXCLUSION OF CERTAIN REPORTED TIPS.**

7 “(a) IN GENERAL.—There shall be allowed as a de-
 8 duction an amount equal to the qualified tips received dur-
 9 ing the taxable year that are included on statements fur-
 10 nished to the individual pursuant to section 6041(d)(3),
 11 6041A(e)(3), 6050W(f)(2), or 6051(a)(18) of Public Law
 12 119–21, or reported by the taxpayer on Form 4137 (or
 13 successor).

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The amount allowed as a
 16 deduction under this section for any taxable year
 17 shall not exceed \$35,000.

18 “(2) LIMITATION BASED ON ADJUSTED GROSS
 19 INCOME.—

20 “(A) IN GENERAL.—The amount allowable
 21 as a deduction under subsection (a) (after ap-
 22 plication of paragraph (1)) shall be reduced
 23 (but not below zero) by \$50 for each \$500 by
 24 which the taxpayer’s modified adjusted gross
 25 income is between \$50,000 and \$75,000
 26 (\$100,000 and \$150,000 in the case of a joint

1 return), and no such tax exclusion shall apply
2 to individuals with AGI over \$75,000
3 (\$150,000 in the case of a joint return).

4 “(B) MODIFIED ADJUSTED GROSS IN-
5 COME.—For purposes of this paragraph, the
6 term ‘modified adjusted gross income’ means
7 the adjusted gross income of the taxpayer for
8 the taxable year increased by any amount ex-
9 cluded from gross income under section 911,
10 931, or 933 of Public Law 119–21.

11 “(c) LIVING WAGE INDEXING.—The Secretary shall
12 review annually the national and regional living wage esti-
13 mates and may adjust the exclusion or eligibility thresh-
14 olds accordingly.

15 “(1) INITIAL TREATMENT.—This section shall
16 apply to all taxable years beginning after December
17 31, 2025, and shall expire to the taxable year begin-
18 ning on December 31, 2028.

19 “(2) REPORTING AND EVALUATION.—The Sec-
20 retary shall submit biennial reports to Congress be-
21 ginning July 1, 2027, assessing:

22 “(A) Utilization of the exclusion by sector
23 and income bracket.

24 “(B) Effects on workforce participation
25 and wage equity.

1 “(C) Recommendations for enhancement.

2 “(d) TIPS RECEIVED IN COURSE OF TRADE OR BUSI-
3 NESS.—In the case of qualified tips received by an indi-
4 vidual during any taxable year in the course of a trade
5 or business (other than the trade or business of per-
6 forming services as an employee) of such individual, such
7 qualified tips shall be taken into account under subsection
8 (a) only to the extent that the gross income for the tax-
9 payer from such trade or business for such taxable year
10 (including such qualified tips) exceeds the sum of the de-
11 ductions (other than the deduction allowed under this sec-
12 tion) allocable to the trade or business in which such quali-
13 fied tips are received by the individual for such taxable
14 year.

15 “(d) QUALIFIED TIPS.—

16 “(1) IN GENERAL.—The term ‘qualified tips’
17 means cash tips received by an individual in an oc-
18 cupation which customarily and regularly received
19 tips on or before December 31, 2024, as provided by
20 the Secretary.

21 “(2) EXCLUSIONS.—Such term shall not in-
22 clude any amount received by an individual unless—

23 “(A) such amount is paid voluntarily with-
24 out any consequence in the event of non-

1 payment, is not the subject of negotiation, and
2 is determined by the payor,

3 “(B) the trade or business in the course of
4 which the individual receives such amount is
5 not a specified service trade or business (as de-
6 fined in section 199A(d)(2)), and

7 “(C) such other requirements as may be
8 established by the Secretary in regulations or
9 other guidance are satisfied. For purposes of
10 subparagraph (B), in the case of an individual
11 receiving tips in the trade or business of per-
12 forming services as an employee, such indi-
13 vidual shall be treated as receiving tips in the
14 course of a trade or business which is a speci-
15 fied service trade or business if the trade or
16 business of the employer is a specified service
17 trade or business.

18 “(3) CASH TIPS.—The term ‘cash tips’ includes
19 tips received from customers that are paid in cash
20 or charged and, in the case of an employee, tips re-
21 ceived under any tip-sharing arrangement.

22 “(e) SOCIAL SECURITY NUMBER REQUIRED.—

23 “(1) IN GENERAL.—No deduction shall be al-
24 lowed under this section unless the taxpayer includes

1 on the return of tax for the taxable year such indi-
2 vidual's social security number.

3 “(2) SOCIAL SECURITY NUMBER DEFINED.—

4 The term ‘social security number’ shall have the
5 meaning given such term in section 24(h)(7).

6 “(f) MARRIED INDIVIDUALS.—If the taxpayer is a
7 married individual (within the meaning of section 7703),
8 this section shall apply only if the taxpayer and the tax-
9 payer's spouse file a joint return for the taxable year.

10 “(g) REGULATIONS.—The Secretary shall prescribe
11 such regulations or other guidance as may be necessary
12 to prevent reclassification of income as qualified tips, in-
13 cluding regulations or other guidance to prevent abuse of
14 the deduction allowed by this section.”.

15 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—

16 Section 63(b) is amended by striking “and” at the end
17 of paragraph (3), by striking the period at the end of para-
18 graph (4) and inserting “, and”, and by adding at the
19 end the following new paragraph:

20 “(5) the deduction provided in section 224.”.

21 (c) OMISSION OF CORRECT SOCIAL SECURITY NUM-

22 BER TREATED AS MATHEMATICAL OR CLERICAL

23 ERROR.—Section 6213(g)(2), as amended by the pre-

24 ceding provisions of this Act, is amended by striking

25 “and” at the end of subparagraph (W), by striking the

1 period at the end of subparagraph (X) and inserting “,
 2 and”, and by inserting after subparagraph (X) the fol-
 3 lowing new subparagraph:

4 “(Y) an omission of a correct social secu-
 5 rity number required under section 224(e) (re-
 6 lating to deduction for qualified tips).”.

7 (d) EXCLUSION FROM QUALIFIED BUSINESS IN-
 8 COME.—Section 199A(c)(4) is amended by striking “and”
 9 at the end of subparagraph (B), by striking the period
 10 at the end of subparagraph (C) and inserting “, and”, and
 11 by adding at the end the following new subparagraph:

12 “(D) any amount with respect to which a
 13 deduction is allowable to the taxpayer under
 14 section 224(a) for the taxable year.”.

15 (e) PUBLISHED LIST OF OCCUPATIONS TRADITION-
 16 ALLY RECEIVING TIPS.—Not later than 90 days after the
 17 date of the enactment of this Act, the Secretary of the
 18 Treasury (or the Secretary’s delegate) shall publish a list
 19 of occupations which customarily and regularly received
 20 tips on or before December 31, 2024, for purposes of sec-
 21 tion 224(d)(1) of the Internal Revenue Code of 1986 (as
 22 added by subsection (a)).

23 (f) WITHHOLDING.—The Secretary of the Treasury
 24 (or the Secretary’s delegate) shall modify the procedures
 25 prescribed under section 3402(a) of the Internal Revenue

1 Code of 1986 for taxable years beginning after December
2 31, 2025, to take into account the deduction allowed under
3 section 224 of such Code (as added by this Act).

4 (g) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2024, and ending December 31, 2026.

7 (h) PILOT PROGRAM.—Upon expiration of this sec-
8 tion, the Secretary of the Treasury shall commence a pilot
9 program to examine the potential benefits to extending the
10 tipped wage tax exemptions as outlined in this section per-
11 manently and without expiration.

12 (i) TRANSITION RULE.—In the case of any cash tips
13 required to be reported for periods before January 1,
14 2026, persons required to file returns or statements under
15 section 6041(a), 6041(d)(3), 6041A(a), 6041A(e)(3),
16 6050W(a), or 6050W(f)(2) of the Internal Revenue Code
17 of 1986 (as amended by this section) may approximate
18 a separate accounting of amounts designated as cash tips
19 by any reasonable method specified by the Secretary.

○