

119TH CONGRESS
2^D SESSION

H. R. 7577

To amend the Fair Labor Standards Act of 1938 to adjust the minimum wage for tipped workers and to amend the Internal Revenue Code of 1986 to expand and make permanent the qualified tip deduction.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2026

Mr. HORSFORD introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Fair Labor Standards Act of 1938 to adjust the minimum wage for tipped workers and to amend the Internal Revenue Code of 1986 to expand and make permanent the qualified tip deduction.

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 “Tipped Income Protec-
5 tion and Improvement Act of 2026” or “TIP Improvement
6 Act of 2026”.

1 **SEC. 2. MINIMUM WAGE FOR TIPPED EMPLOYEES.**

2 (a) MINIMUM WAGE FOR TIPPED EMPLOYEES.—

3 Paragraph (2)(A) of section 3(m) of the Fair Labor
4 Standards Act of 1938 (29 U.S.C. 203(m)(2)(A)) is
5 amended to read as follows:

6 “(2)(A) The wage required to be paid to a
7 tipped employee shall be the wage set forth in sec-
8 tion 6(a)(1). All tips received by such employee shall
9 be retained by the employee, except that this sub-
10 section shall not be construed to prohibit the pooling
11 of tips among employees who customarily and regu-
12 larly receive tips.”.

13 (b) PENALTIES.—Section 16 of the Fair Labor
14 Standards Act of 1938 (29 U.S.C. 216) is amended—

15 (1) in subsection (b), by striking “the sum of
16 any tip credit taken by the employer and all such
17 tips unlawfully kept by the employer” and inserting
18 “the sum of all such tips unlawfully used or kept by
19 the employer”; and

20 (2) in subsection (c), by striking “the sum of
21 any tip credit taken by the employer and all such
22 tips unlawfully kept by the employer” and inserting
23 “the sum of all such tips unlawfully used or kept by
24 the employer”.

1 **SEC. 3. QUALIFIED TIP DEDUCTION MADE PERMANENT**
2 **AND EXPANDED.**

3 (a) INCREASED DEDUCTION LIMIT FOR JOINT RE-
4 TURN.—Section 224(b)(1) of the Internal Revenue Code
5 of 1986 is amended by inserting “(twice such amount in
6 the case of a joint return)” after “\$25,000”.

7 (b) PREVENTION OF WASTE, FRAUD, AND ABUSE.—
8 Section 224(d)(2) of such Code is amended—

9 (1) in subparagraph (B), by striking “and” at
10 the end,

11 (2) in subparagraph (C), by striking the period
12 at the end and inserting a comma, and

13 (3) by inserting after subparagraph (C) the fol-
14 lowing new subparagraphs:

15 “(D) such amount is paid by a person who
16 does not bear a relationship to such individual
17 described in section 267(b), and

18 “(E) such individual does not have an own-
19 ership stake in the business which employs
20 them in the job for which such individual is re-
21 ceiving a tip.”.

22 (c) TIN REQUIREMENT.—Section 224(e) of such
23 Code is amended to read as follows:

24 “(e) TAXPAYER IDENTIFICATION NUMBER RE-
25 QUIRED.—No deduction shall be allowed under this sec-
26 tion unless the individual includes such individual’s tax-

1 payer identification number (in the case of a joint return,
2 the taxpayer identification number of at least 1 spouse)
3 on the return of tax for the taxable year.”.

4 (d) AUTOMATIC GRATUITIES TREATED AS QUALI-
5 FIED TIPS FOR CERTAIN PROFESSIONS.—Section 224(d)
6 of such Code is amended by adding at the end the fol-
7 lowing new paragraph:

8 “(4) TREATMENT OF AUTOMATIC GRATU-
9 ITIES.—

10 “(A) IN GENERAL.—In the case of an indi-
11 vidual engaged in an occupation in hospitality,
12 food and beverage service, or cosmetology, the
13 term ‘qualified tips’ shall include an automatic
14 gratuity.

15 “(B) AUTOMATIC GRATUITIES.—For pur-
16 poses of this paragraph, the term ‘automatic
17 gratuity’ means, with respect to an individual,
18 any amount which—

19 “(i) would be a qualified tip with re-
20 spect to the individual but for paragraph
21 (2)(A), and

22 “(ii) is a mandatory or suggested
23 amount paid pursuant to a uniform policy
24 of the employer, under which such entire
25 amount is received by the individual or,

1 under State or local law, is pooled and re-
2 ceived only by employees of the employer
3 under a tip-sharing arrangement.”.

4 (e) DEDUCTION MADE PERMANENT.—Section 224 of
5 such Code is amended by striking subsection (h).

6 (f) CONFORMING AMENDMENT.—Section 224 of such
7 Code is amended by striking subsection (f) and by redesi-
8 gnating subsection (g) as subsection (f).

9 (g) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2025.

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