

119TH CONGRESS
1ST SESSION

S. 129

AN ACT

To amend the Internal Revenue Code of 1986 to eliminate the application of the income tax on qualified tips through a deduction allowed to all individual taxpayers, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “No Tax on Tips Act”.

3 **SEC. 2. DEDUCTION FOR QUALIFIED TIPS.**

4 (a) IN GENERAL.—

5 (1) DEDUCTION ALLOWED.—Part VII of sub-
6 chapter B of chapter 1 of the Internal Revenue Code
7 of 1986 is amended by redesignating section 224 as
8 section 225 and by inserting after section 223 the
9 following new section:

10 **“SEC. 224. QUALIFIED TIPS.**

11 “(a) IN GENERAL.—There shall be allowed as a de-
12 duction an amount equal to the qualified tips received dur-
13 ing the taxable year that are included on statements fur-
14 nished to the employer pursuant to section 6053(a).

15 “(b) MAXIMUM DEDUCTION.—The deduction allowed
16 by subsection (a) for any taxpayer for the taxable year
17 shall not exceed \$25,000.

18 “(c) QUALIFIED TIPS.—For purposes of this sec-
19 tion—

20 “(1) IN GENERAL.—The term ‘qualified tip’
21 means any cash tip received by an individual in the
22 course of such individual’s employment in an occu-
23 pation which traditionally and customarily received
24 tips on or before December 31, 2023, as provided by
25 the Secretary.

1 “(2) EXCLUSION FOR CERTAIN EMPLOYEES.—
 2 Such term shall not include any amount received by
 3 an individual in the course of employment by an em-
 4 ployer if such individual had, for the preceding tax-
 5 able year, compensation (within the meaning of sec-
 6 tion 414(q))(4) from such employer in excess of the
 7 amount in effect under section 414(q)(1)(B)(i).”.

8 (2) PUBLISHED LIST OF OCCUPATIONS TRADI-
 9 TIONALLY RECEIVING TIPS.—Not later than 90 days
 10 after the date of the enactment of this Act, the Sec-
 11 retary of the Treasury (or the Secretary’s delegate)
 12 shall publish a list of occupations which traditionally
 13 and customarily received tips on or before December
 14 31, 2023, for purposes of section 224(c)(1) of the
 15 Internal Revenue Code of 1986 (as added by para-
 16 graph (1)).

17 (3) CONFORMING AMENDMENT.—The table of
 18 sections for part VII of subchapter B of chapter 1
 19 of such Code is amended by redesignating the item
 20 relating to section 224 as relating to section 225
 21 and by inserting after the item relating to section
 22 223 the following new item:

“Sec. 224. Qualified tips.”.

23 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
 24 Section 63(b) of the Internal Revenue Code of 1986 is
 25 amended by striking “and” at the end of paragraph (3),

1 by striking the period at the end of paragraph (4) and
 2 inserting “and”, and by adding at the end the following
 3 new paragraph:

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

5 (c) NON-APPLICATION OF CERTAIN LIMITATIONS
 6 FOR ITEMIZERS.—

7 (1) DEDUCTION NOT TREATED AS A MISCELLA-
 8 NEOUS ITEMIZED DEDUCTION.—Section 67(b) of the
 9 Internal Revenue Code of 1986 is amended by strik-
 10 ing “and” at the end of paragraph (11), by striking
 11 the period at the end of paragraph (12) and insert-
 12 ing “, and”, and by adding at the end the following
 13 new paragraph:

14 “(13) the deduction under section 224 (relating
 15 to qualified tips).”.

16 (2) DEDUCTION NOT TAKEN INTO ACCOUNT
 17 UNDER OVERALL LIMITATION.—Section 68(c) of the
 18 Internal Revenue Code of 1986 is amended by strik-
 19 ing “and” at the end of paragraph (2), by striking
 20 the period at the end of paragraph (3) and inserting
 21 “, and”, and by adding at the end the following new
 22 paragraph:

23 “(4) the deduction under section 224 (relating
 24 to qualified tips).”.

1 (d) WITHHOLDING.—The Secretary of the Treasury
 2 (or the Secretary’s delegate) shall modify the tables and
 3 procedures prescribed under section 3402(a) of the Inter-
 4 nal Revenue Code of 1986 to take into account the deduc-
 5 tion allowed under section 224 of such Code (as added
 6 by this Act).

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2024.

10 **SEC. 3. EXTENSION OF CREDIT FOR PORTION OF EM-**
 11 **PLOYER SOCIAL SECURITY TAXES PAID WITH**
 12 **RESPECT TO EMPLOYEE TIPS TO BEAUTY**
 13 **SERVICE ESTABLISHMENTS.**

14 (a) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE
 15 BUSINESS.—

16 (1) IN GENERAL.—Section 45B(b)(2) of the In-
 17 ternal Revenue Code of 1986 is amended to read as
 18 follows:

19 “(2) APPLICATION ONLY TO CERTAIN LINES OF
 20 BUSINESS.—In applying paragraph (1) there shall
 21 be taken into account only tips received from cus-
 22 tomers or clients in connection with the following
 23 services:

24 “(A) The providing, delivering, or serving
 25 of food or beverages for consumption, if the tip-

1 ping of employees delivering or serving food or
2 beverages by customers is customary.

3 “(B) The providing of beauty services to a
4 customer or client if the tipping of employees
5 providing such services is customary.”.

6 (2) BEAUTY SERVICE DEFINED.—Section 45B
7 of such Code is amended by adding at the end the
8 following new subsection:

9 “(e) BEAUTY SERVICE.—For purposes of this sec-
10 tion, the term ‘beauty service’ means any of the following:

11 “(1) Barbering and hair care.

12 “(2) Nail care.

13 “(3) Esthetics.

14 “(4) Body and spa treatments.”.

15 (b) CREDIT DETERMINED WITH RESPECT TO MIN-
16 IMUM WAGE IN EFFECT.—Section 45B(b)(1)(B) of the
17 Internal Revenue Code of 1986 is amended—

18 (1) by striking “as in effect on January 1,
19 2007, and”; and

20 (2) by inserting “, and in the case of food or
21 beverage establishments, as in effect on January 1,
22 2007” after “without regard to section 3(m) of such
23 Act”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2024.

Passed the Senate May 20, 2025.

Attest:

Secretary.

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