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119TH CONGRESS
2D 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.

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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

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# 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.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Tipped Income Protection and Improvement Act of 2026'' or ''TIP Improvement Act of 2026''.

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

(a) MINIMUM WAGE FOR TIPPED EMPLOYEES.—Paragraph (2)(A) of section 3(m) of the Fair Labor Standards Act of 1938 (29 U.S.C. 203(m)(2)(A)) is amended to read as follows:

''(2)(A) The wage required to be paid to a tipped employee shall be the wage set forth in section 6(a)(1). All tips received by such employee shall be retained by the employee, except that this subsection shall not be construed to prohibit the pooling of tips among employees who customarily and regularly receive tips.''.

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

(1) in subsection (b), by striking ''the sum of any tip credit taken by the employer and all such tips unlawfully kept by the employer'' and inserting ''the sum of all such tips unlawfully used or kept by the employer''; and

(2) in subsection (c), by striking ''the sum of any tip credit taken by the employer and all such tips unlawfully kept by the employer'' and inserting ''the sum of all such tips unlawfully used or kept by the employer''.

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

(a) INCREASED DEDUCTION LIMIT FOR JOINT RETURN.—Section 224(b)(1) of the Internal Revenue Code of 1986 is amended by inserting ''(twice such amount in the case of a joint return)'' after ''$25,000''.

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

(1) in subparagraph (B), by striking ''and'' at the end,

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

(3) by inserting after subparagraph (C) the following new subparagraphs:

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

''(E) such individual does not have an ownership stake in the business which employs them in the job for which such individual is receiving a tip.''.

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

''(e) TAXPAYER IDENTIFICATION NUMBER REQUIRED.—No deduction shall be allowed under this section unless the individual includes such individual's tax-

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

(d) AUTOMATIC GRATUITIES TREATED AS QUALIFIED TIPS FOR CERTAIN PROFESSIONS.—Section 224(d) of such Code is amended by adding at the end the following new paragraph:

''(4) TREATMENT OF AUTOMATIC GRATUITIES.—

''(A) IN GENERAL.—In the case of an individual engaged in an occupation in hospitality, food and beverage service, or cosmetology, the term 'qualified tips' shall include an automatic gratuity.

''(B) AUTOMATIC GRATUITIES.—For purposes of this paragraph, the term 'automatic gratuity' means, with respect to an individual, any amount which—

''(i) would be a qualified tip with respect to the individual but for paragraph (2)(A), and

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

under State or local law, is pooled and received only by employees of the employer under a tip-sharing arrangement.''.

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

(f) CONFORMING AMENDMENT.—Section 224 of such Code is amended by striking subsection (f) and by redesignating subsection (g) as subsection (f).

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

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