

119TH CONGRESS
1ST SESSION

S. 129

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.

IN THE SENATE OF THE UNITED STATES

JANUARY 16, 2025

Mr. CRUZ (for himself, Mr. DAINES, Ms. ROSEN, Mr. RICKETTS, Ms. CORTEZ MASTO, Mr. HAWLEY, Mr. SCOTT of Florida, and Mr. CRAMER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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,*

3 **SECTION 1. SHORT TITLE.**

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

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

6 (a) IN GENERAL.—

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

6 **“SEC. 224. QUALIFIED 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 employer pursuant to section 6053(a).

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

14 “(c) QUALIFIED TIPS.—For purposes of this sec-
15 tion—

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

22 “(2) EXCLUSION FOR CERTAIN EMPLOYEES.—
23 Such term shall not include any amount received by
24 an individual in the course of employment by an em-
25 ployer if such individual had, for the preceding tax-

1 able year, compensation (within the meaning of sec-
2 tion 414(q))(4) from such employer in excess of the
3 amount in effect under section 414(q)(1)(B)(i).”.

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

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

“Sec. 224. Qualified tips.”.

19 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
20 Section 63(b) of the Internal Revenue Code of 1986 is
21 amended by striking “and” at the end of paragraph (3),
22 by striking the period at the end of paragraph (4) and
23 inserting “and”, and by adding at the end the following
24 new paragraph:

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

1 (c) NON-APPLICATION OF CERTAIN LIMITATIONS
2 FOR ITEMIZERS.—

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

10 “(13) the deduction under section 224 (relating
11 to qualified tips).”.

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

19 “(4) the deduction under section 224 (relating
20 to qualified tips).”.

21 (d) WITHHOLDING.—The Secretary of the Treasury
22 (or the Secretary’s delegate) shall modify the tables and
23 procedures prescribed under section 3402(a) of the Inter-
24 nal Revenue Code of 1986 to take into account the deduc-

1 tion allowed under section 224 of such Code (as added
2 by this Act).

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

6 **SEC. 3. EXTENSION OF CREDIT FOR PORTION OF EM-**
7 **PLOYER SOCIAL SECURITY TAXES PAID WITH**
8 **RESPECT TO EMPLOYEE TIPS TO BEAUTY**
9 **SERVICE ESTABLISHMENTS.**

10 (a) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE
11 BUSINESS.—

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

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

20 “(A) The providing, delivering, or serving
21 of food or beverages for consumption, if the tip-
22 ping of employees delivering or serving food or
23 beverages by customers is customary.

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

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

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

9 “(1) Barbering and hair care.

10 “(2) Nail care.

11 “(3) Esthetics.

12 “(4) Body and spa treatments.”.

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

16 (1) by striking “as in effect on January 1,
17 2007, and”; and

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

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

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