

119TH CONGRESS
1ST SESSION

S. 1998

To amend the Internal Revenue Code of 1986 to simplify reporting requirements, promote tax compliance, and reduce tip reporting compliance burdens in the beauty service industry.

IN THE SENATE OF THE UNITED STATES

JUNE 9, 2025

Mr. SCOTT of South Carolina (for himself and Ms. ALSOBROOKS) 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 simplify reporting requirements, promote tax compliance, and reduce tip reporting compliance burdens in the beauty service industry.

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 “Small Business Tax
5 Fairness and Compliance Simplification Act”.

1 **SEC. 2. EXTENSION OF CREDIT FOR PORTION OF EM-**
2 **PLOYER SOCIAL SECURITY TAXES PAID WITH**
3 **RESPECT TO EMPLOYEE TIPS TO BEAUTY**
4 **SERVICE ESTABLISHMENTS.**

5 (a) **EXTENSION OF TIP CREDIT TO BEAUTY SERVICE**
6 **BUSINESS.—**

7 (1) **IN GENERAL.—**Section 45B(b) of the Inter-
8 nal Revenue Code of 1986 is amended by striking
9 paragraph (2) and inserting the following new para-
10 graphs:

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

16 “(A) The providing, delivering, or serving
17 of food or beverages for consumption, if the tip-
18 ping of employees delivering or serving food or
19 beverages by customers is customary.

20 “(B) The providing of beauty services to a
21 customer or client if the tipping of employees
22 providing such services is customary.

23 “(3) **LIMITATION ON APPLICATION TO BEAUTY**
24 **SERVICES.—**Paragraph (2)(B) shall not apply for
25 purposes of determining the credit allowed under

1 subsection (a) with respect to any taxpayer for any
2 taxable year unless—

3 “(A) the aggregate amount of tips taken
4 into account by such taxpayer as an employer
5 for such taxable year under paragraph (1)(A)
6 with respect to services described in paragraph
7 (2)(B), exceeds

8 “(B) 15 percent of the taxpayer’s gross re-
9 ceipts with respect to the services described in
10 paragraph (2)(B) for such taxable year.”.

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

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

16 “(1) Barbering and hair care.

17 “(2) Nail care.

18 “(3) Esthetics.

19 “(4) Body and spa treatments.”.

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

23 (1) by striking “as in effect on January 1,
24 2007, and”; and

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

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

8 **SEC. 3. EMPLOYER TIP REPORTING SAFE HARBOR.**

9 (a) IN GENERAL.—Section 3121(q) of the Internal
10 Revenue Code of 1986 is amended—

11 (1) by striking so much as precedes “of this
12 chapter” and inserting the following:

13 “(q) TIPS INCLUDED FOR BOTH EMPLOYEE AND
14 EMPLOYER TAXES.—

15 “(1) IN GENERAL.—For purposes”; and

16 (2) by adding at the end the following new
17 paragraph:

18 “(2) TIP PROGRAM SAFE HARBOR.—In the case
19 of an employer who employs one or more employees
20 who receive tips in the course of such employment
21 which are attributable to the performance of beauty
22 services (as such term is defined in section 45B) are
23 considered remuneration for such employment under
24 this section, no IRS tip examination with respect to
25 such employer shall be initiated (except in the case

1 of a tip examination of a current or former em-
2 ployee) if the employer—

3 “(A) establishes an educational program
4 regarding applicable laws relating to proper re-
5 porting of tips received by employees for—

6 “(i) new employees, which shall in-
7 clude both verbal explanation and written
8 materials, and

9 “(ii) existing employees, which shall
10 be conducted quarterly,

11 “(B) establishes procedures for tipped em-
12 ployees to provide monthly reporting of cash
13 and charged services and related tip income of
14 at least \$20 under section 6053(a),

15 “(C) complies with all applicable Federal
16 tax law requirements applicable to employers
17 for purposes of filing returns, and collection
18 and payment of taxes imposed, with respect to
19 tip income received by employees, and

20 “(D) maintains employee records related
21 to—

22 “(i) contact information for such em-
23 ployees, and

24 “(ii) gross receipts from any services
25 subject to tipping, and charge receipts for

1 such services, for a period of not less than
2 4 calendar years after the calendar year to
3 which the records relate.”.

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

7 **SEC. 4. INFORMATION REPORTING OF INCOME FROM**
8 **SPACE RENTALS IN THE BEAUTY SERVICE IN-**
9 **DUSTRY.**

10 (a) IN GENERAL.—Subpart B of part III of sub-
11 chapter A of chapter 61 of the Internal Revenue Code of
12 1986, as amended by section 334(d) of Public Law 117–
13 328, is amended by adding at the end the following new
14 section:

15 **“SEC. 6050AA. RETURNS RELATING TO INCOME FROM CER-**
16 **TAIN RENTALS OF SPACE IN THE BEAUTY**
17 **SERVICE INDUSTRY.**

18 “(a) REQUIREMENT OF REPORTING.—Any person
19 who, in the course of a trade or business and for any cal-
20 endar year, receives rental payments from two or more
21 individuals providing beauty services (as defined in section
22 45B(e)) aggregating \$600 or more each for the lease of
23 space to provide such services to third-party patrons shall
24 make the return described in subsection (b) with respect

1 to each person from whom such rent was so received at
2 such time as the Secretary may by regulations prescribe.

3 “(b) RETURN.—A return is described in this sub-
4 section if such return—

5 “(1) is in such form as the Secretary may pre-
6 scribe, and

7 “(2) contains—

8 “(A) the name, address, and TIN of each
9 person from whom a rental payment described
10 in subsection (a) was received during the cal-
11 endar year,

12 “(B) the aggregate amount of such pay-
13 ments received by such person during such cal-
14 endar year and the date and amount of each
15 such payment, and

16 “(C) such other information as the Sec-
17 retary may require.

18 “(c) STATEMENT TO BE FURNISHED TO PERSONS
19 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

20 “(1) IN GENERAL.—Every person required to
21 make a return under subsection (a) shall furnish to
22 each person whose name is required to be set forth
23 in such return a written statement showing—

1 “(A) the name, address, and phone num-
2 ber of the information contact of the person re-
3 quired to make such a return, and

4 “(B) the aggregate amount of payments to
5 the person required to be shown on the return.

6 “(2) FURNISHING OF INFORMATION.—The
7 written statement required under paragraph (1)
8 shall be furnished to the person on or before Janu-
9 ary 31 of the year following the calendar year for
10 which the return under subsection (a) is required to
11 be made.

12 “(d) REGULATIONS AND GUIDANCE.—The Secretary
13 may prescribe such regulations and other guidance as may
14 be appropriate or necessary to carry out the purpose of
15 this subsection, including rules to prevent duplicative re-
16 porting of transactions.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for subchapter A of chapter 61 of such Code is amended
19 by adding at the end the following new item:

 “Sec. 6050AA. Returns relating to income from certain rentals of space in the
 beauty service industry.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to payments made after December
22 31, 2025.

○