

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.

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## 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

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## 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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