

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

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.

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IN THE SENATE OF THE UNITED STATES

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Mr. SCOTT of South Carolina (for himself and Ms. ALSOBROOKS) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**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 cepts 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.”.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 61 of such Code is amended 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.”.

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