

**SMALL BUSINESS SALONS CAN BUILD BACK BETTER  
H.R. 821 and S. 1233**

**Proposal: Provide opportunities to salons by extending the Section 45B FICA tax tip credit in H.R.821 and S. 1233.**

Existing tax relief extended to the professional beauty industry can provide a lifeline and a bolster to many salon businesses who have struggled to remain viable through the harsh business conditions of the pandemic. Salon owners need barriers holding them back from rebuilding removed. Women and minorities, primary caregivers, have been disproportionately impacted by the COVID-19 recession. Assistance is needed, utilizing the 45B FICA Tax Tip Credit that exists in our tax code will allow salon owners to rebuild their business without unnecessary financial burden. Our tax system can be used to help salons continue to employ beauty professionals and support the middle class. The 45B credit will allow salons a fair chance to maintain and expand beauty industry employment.

- **Salons are predominantly women and minority-owned small businesses.**
  - The salon industry is primarily comprised of small businesses – 83% of salon businesses have fewer than 10 employees.
  - These small businesses, owned 60% by women and 34% by minorities, provide entry-level jobs and employ a workforce of roughly 1.3 million professionals.
  - According to the Bureau of Labor Statistics, the number of personal appearance jobs is projected to increase 9 percent between 2018 and 2028, which is nearly double the projected 5 percent growth in total U.S. employment during the same period.
  
- **Extending Section 45B, currently available to restaurants, to the beauty industry would provide critical funds to salons employers, enabling them to rebuild and operate their businesses as employer-based salons.**
  - Tipping is customary practice in the beauty service industry.
  - Allowing employees to accept tips is a necessary component of salon ownership but comes at a steep cost to the business.
  - Tips to restaurant employees should not be treated differently from tips to salon employees. These two industries share tip reporting burdens, but do not share the relief granted by Congress to the restaurant industry 28 years ago.
  - Providing tax parity for this industry will allow salons to keep their businesses viable as the economy fully reopens and enable owners to provide additional employment opportunities as well as better benefits to their employees.
  - The salon industry is vitally important to the success of many other industries in the economy.