

**SMALL BUSINESS SALONS DESERVE TAX PARITY
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. Salon owners are facing the same rising workforce costs as other small businesses, with the additional burden of unfair taxation to their business on tips provided by customers. Women and minorities, and primary caregivers comprise the majority of the professional beauty industry. Assistance is needed, utilizing the 45B FICA Tax Tip Credit that exists in our tax code will allow salon owners to meet demands and grow their business. 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, overall employment of barbers, hairstylists, and cosmetologists is projected to grow 19 percent from 2020 to 2030, much faster than the average for all occupations.

- **Extending Section 45B, currently available to restaurants, to the beauty industry would provide critical funds to salons employers, enabling them to operate their businesses as employer-based salons.**
 - Tipping is a 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 29 years ago.
 - Providing tax parity for this industry will allow salons to keep their businesses viable 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 beauty product distributors, manufacturers of beauty supplies, and every industry reliant on the use of salons for everyday services.