



# FICA TAX TIP CREDIT FOR SALONS, SPAS, & BARBERSHOPS

Comprised of small businesses proudly owned by women and minorities, **the beauty industry is deserving of equitable access to the existing 45 (b) tax tip credit** which will create tax parity allowing beauty establishments to thrive.

Now is the time to update the tax code to directly help **women, minorities, and small business owners** while shrinking the tax gap and increasing tip reporting compliance.



## *the issue:*

**EMPLOYER-BASED BEAUTY ESTABLISHMENTS ARE REQUIRED TO PAY FICA TAXES ON CUSTOMER-PAID TIPS, DESPITE THE BUSINESS RECEIVING NO REVENUE ON THE TIPS.**



## *the solution:*

**EXTEND THE 45B FICA TAX TIP CREDIT TO SALON INDUSTRY BUSINESS OWNERS BY INCLUDING SMALL BUSINESS TAX FAIRNESS AND COMPLIANCE SIMPLIFICATION ACT (H.R. 45 / S. 45).**

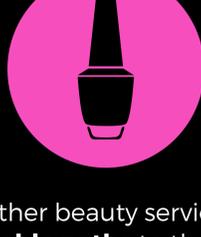
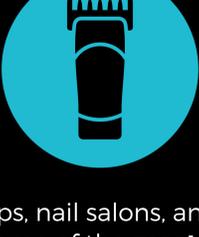


This credit has steadily provided relief to the restaurant industry since 1993 and should be extended to salon employers. By reducing the tax burdens for these small businesses, as well as improving the reporting process of tip income, the **Small Business Tax Fairness and Compliance Simplification Act** would provide equitable treatment to the beauty industry and allow these businesses to further support their employees and expand their businesses.

Bipartisan, bicameral legislation, sponsored by **Congressman Darin LaHood, Congresswomen Suzan DelBene, Senator Ben Cardin and Senator Tim Scott**, would allow the credit to be extended to salons.



## *the industry:*



Hair salons, barbershops, nail salons, and other beauty service establishments are some of the **most reliable paths** to the middle class for women and minorities.



Expanding this credit will help marginalized communities **build a better future** for themselves and their families.

**60%**

of employment-based small business beauty salons are women, which is **3x higher** than the women-owned business rate for the entire economy.



**14%**  
OF WORKFORCE ARE  
AFRICAN AMERICAN

**12%**  
OF NATIONAL  
WORKFORCE



**23%**  
OF WORKFORCE ARE  
ASIAN

**6%**  
OF NATIONAL  
WORKFORCE



**83%**  
OF WORKFORCE ARE  
WOMEN

**47%**  
OF NATIONAL  
WORKFORCE

**58%**

OF THE SALON INDUSTRY  
ESTABLISHMENTS HAVE  
FEWER THAN 5 EMPLOYEES

**83%**

OF THE SALON INDUSTRY  
ESTABLISHMENTS HAVE  
FEWER THAN 10 EMPLOYEES

## *the bottom line:*



Beauty Establishments should receive a credit for **FICA taxes** on customer-paid tips, ensuring the business is not penalized for reporting employee income.

**TIPPING IS CUSTOMARY IN THE BEAUTY INDUSTRY.**

*It's the 2nd most-tipped industry in the United States.*



Allowing employees to accept tips is a necessary part of salon ownership and should not be a hindrance on **building a successful space** for women and minorities to be successful.



Allowing beauty industry employers access to this credit will ensure the beauty service industry thrives moving forward, continuing to provide opportunities for both employment and business ownership for many women and minorities across America.

**PBA** Professional Beauty Association

Connected by Passion. *United by Beauty.*

**#FICA45**