

# 118th CONGRESS

## H.R.45 | S.45 Small Business Tax Fairness and Compliance Simplification Act

Congressman Darin LaHood and Congresswoman Suzan DelBene  
Senator Ben Cardin and Senator Tim Scott

## SMALL BUSINESS TAX FAIRNESS AND COMPLIANCE SIMPLIFICATION ACT SUMMARY

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**H.R.45 | S.45** will allow professional beauty industry small business employers access to the existing 45b tax credit. This bill expands the tax credit for a portion of the employer-paid Social Security taxes for employee cash tips to include beauty service establishments. (Under current law, the credit is limited to tips received for providing, serving, or delivering food or beverages.) The credit applies to tips received in connection with providing beauty services to a customer or client if tipping employees who provide the service is customary. Beauty services include barbering and hair care, nail care, esthetics, and body and spa treatments. The bill also (1) establishes an employer tip reporting safe harbor for beauty service establishments, and (2) specifies reporting requirements for income received from renting space to individuals who provide beauty services. The employer tip reporting safe harbor for beauty service establishments provides an exemption from certain Internal Revenue Service tip examinations for employers who meet certain requirements for educational programs, reporting procedures, compliance with tax law, and recordkeeping.

## TALKING POINTS

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- Bipartisan, non-controversial, vetted, scored legislation providing relief for small businesses.
- Access to the existing 45b credit will allow beauty industry small businesses a credit for their portion of the employer-paid Social Security taxes for employee cash tips.
- Under current law, the credit is limited to tips received in the restaurant industry.
- The bill establishes an employer safe harbor for beauty service establishments that comply with IRS's tip reporting requirements.
- Employers will utilize the credit to reinvest in their salon by providing additional employee benefits, expanding job opportunities, and conducting additional training.
- Employees will have increased retirement security and other benefits.
- Extending the existing 45B credit to barber and salon shops will help encourage the payment of income and employment taxes to the IRS. Moreover, employees will be properly credited for FICA paid on the employee's tip income, ensuring proper Social Security benefits.
- Business owners will be relieved of financial uncertainty caused by the need to set aside thousands of dollars each year in an attempt to anticipate taxes on tips.