

# Small Business Tax Fairness and Compliance Simplification Act

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

## History:

- ➔ A tip is a monetary transaction between a client and their service provider. A tip is taxable income. The business owner who employs the service provider does not receive any profit from the tips, yet business owners are responsible for paying the employer portion of FICA taxes (Social Security and Medicare at 7.65%) on the tips.
- ➔ Since 1993, under Code §45b, restaurant owners have received a dollar-for-dollar tax credit on the employer's share of FICA taxes paid on employee tips. Access to this tax credit is limited to tips received for providing, serving, or delivering food or beverages in the restaurant industry.

## Small Business Tax Fairness and Compliance Simplification Act:



**H.R.45 | S.45** will allow professional beauty industry small business employers access to the existing §45b tax credit.



The credit applies to tips received in connection with providing beauty services including barbering and hair care, nail care, massage, esthetics, and body and spa treatments.



The bill establishes an employer tip reporting safe harbor for beauty service establishments. The employer tip reporting safe harbor provides an exemption from certain IRS tip examinations for employers who meet requirements for educational programs, reporting procedures, compliance with tax law, and recordkeeping.

## Problem:



**For three decades, professional beauty industry employers have been unfairly denied access to an existing dollar for dollar FICA tax credit on tips, currently accessible only to the restaurant industry.**

H.R. 45 | S.45 will allow small businesses in the professional beauty industry the opportunity to apply for the 45B FICA tax credit on tips that restaurants have claimed since 1993.



## Solution:

Congress should pass **H.R.45 | S.45** to address this inequity and provide parity to spa, beauty, and barber industry employers by granting access to the existing §45b tax credit on tips.

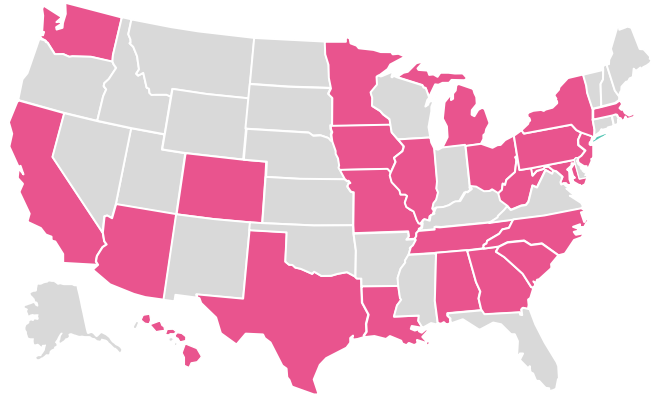


## Benefits :

- ✓ Employers will utilize the credit to reinvest in their business by providing additional employee benefits, expanding job opportunities, and conducting additional training
- ✓ Boost employee retirement security for spa, beauty, and barbering employees
- ✓ Business owners will be relieved of financial uncertainty caused by the need to set aside thousands of dollars each year to anticipate taxes on tips
- ✓ Simplifies and improves information reporting compliance related to self-employed professionals in the spa, beauty, barber industry



## States with a cosponsor



## Data Points :



Predominantly women and minority-owned small businesses.



These small businesses, owned 60% by women and 34% by minorities, provide entry-level jobs and employ a workforce of 1.2 million professionals.



Overall employment within the professional beauty industry is expected to grow 19% by 2030.



Of the 1,179,000 professional beauty industry employees in the United States, 85% are women, 12% are African American, 20% are Asian, and 18% are Latino.

\* Source: U.S. Census Bureau, and Bureau of Labor Statistics

## Co-sponsoring H.R. 45 | S.45 supports:

Consistency in tax treatment is fundamental, and simplifies compliance

Creates a level playing field preventing certain businesses from receiving preferential treatment or unfair advantages

Encourages the fair application of the tax code by allowing the professional beauty and wellness industry access to an existing credit

Promotes job creation, economic growth, and helps small businesses

H.R.45 | S.45 will finally create parity and uniformity with our U.S. Tax Code and recognize the relevancy of an entire diverse entrepreneurial industry



SCAN ME

## More Information:



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### Website :

FICA Tax Tip Legislation  
<https://www.probeauty.org/advocacy/fica>



### Resources :

H.R.45 Small Business Tax Fairness and Compliance Simplification Act:  
<https://www.congress.gov/n18/bills/hr45/BILLS-118hr45ih.pdf>

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