

118TH CONGRESS  
2D SESSION

# H. R. 7870

To amend the Internal Revenue Code of 1986 to provide that certain tips shall not be subject to income or employment taxes for a period of 5 years.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 5, 2024

Mr. BACON introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that certain tips shall not be subject to income or employment taxes for a period of 5 years.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tip Tax Termination  
5 Act”.

6 **SEC. 2. EXCLUSION FROM GROSS INCOME OF CERTAIN**  
7 **TIPPED WAGES.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 is amended  
10 by inserting after section 139I the following new section:

1 **“SEC. 139J. CERTAIN TIPPED WAGES.**

2 “(a) IN GENERAL.—Gross income shall not include  
3 so much of the eligible tips received by an individual dur-  
4 ing the taxable year as does not exceed \$20,000.

5 “(b) ELIGIBLE TIPS.—For purposes of this section,  
6 the term ‘eligible tips’ means amounts received while per-  
7 forming services which constitute employment in a posi-  
8 tion which generally relies on tips as part of wages, includ-  
9 ing cosmetology, hospitality, and food service.

10 “(c) DENIAL OF DOUBLE BENEFIT.—

11 “(1) IN GENERAL.—Except as provided in para-  
12 graph (2), any amount which is excluded from gross  
13 income under this section shall not be taken into ac-  
14 count in determining any deduction or credit under  
15 this chapter.

16 “(2) EXCEPTION FOR CHILD TAX CREDIT;  
17 EARNED INCOME CREDIT.—The amount excluded  
18 from gross income under this section shall be taken  
19 into account for purposes of determining the credits  
20 under sections 24 and 32.

21 “(d) TERMINATION.—This section shall not apply to  
22 tips received after December 31, 2028.”.

23 (b) APPLICATION TO EMPLOYMENT TAXES.—

24 (1) SOCIAL SECURITY TAXES.—

25 (A) IN GENERAL.—Section 3121(a)(12) of  
26 such Code is amended by striking—

1           “(A) tips” and inserting “Except as pro-  
2           vided in section 139J—

3           “(A) tips”.

4           (B) TRUST FUNDS HELD HARMLESS.—

5           There are hereby appropriated to the Federal  
6           Old-Age and Survivors Insurance Trust Fund,  
7           the Federal Disability Insurance Trust Fund,  
8           and the Federal Hospital Insurance Trust  
9           Fund amounts equivalent to the reduction in  
10          revenues to each such Trust Fund, respectively,  
11          by reason of the amendment made by subpara-  
12          graph (A) (determined without regard to this  
13          subparagraph). Amounts appropriated by the  
14          preceding sentence shall be transferred from the  
15          general fund at such times and in such manner  
16          as to replicate to the extent possible the trans-  
17          fers which would have occurred to such Trust  
18          Fund had this section not been enacted.

19          (2) UNEMPLOYMENT TAXES.—Section 3306(s)  
20          of such Code is amended by striking “For purposes  
21          of this chapter” and inserting “Except as provided  
22          in section 139J, for purposes of this chapter,”.

23          (3) WAGE WITHHOLDING.—Section 3401(a)(16)  
24          of such Code is amended by striking—

1                   “(A) tips” and inserting “Except as pro-  
2                   vided in section 139J—

3                   “(A) tips”.

4           (c) CLERICAL AMENDMENT.—The table of sections  
5 for part III of subchapter B of chapter 1 of such Code  
6 is amended by inserting after the item relating to section  
7 139I the following new item:

          “Sec. 139J. Certain tipped wages.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to amounts received after Decem-  
10 ber 31, 2023.

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