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(Original Signature of Member)

118TH CONGRESS
2D SESSION

H. R. ______

To amend the Internal Revenue Code of 1986 to eliminate the application of the income tax on cash tips through a deduction allowed to all individual taxpayers.

IN THE HOUSE OF REPRESENTATIVES

Mr. DONALDS introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To amend the Internal Revenue Code of 1986 to eliminate the application of the income tax on cash tips through a deduction allowed to all individual taxpayers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘No Tax on Tips Act’’.

SEC. 2. DEDUCTION FOR CASH TIPS.

(a) IN GENERAL.—

(1) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code

of 1986 is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section:

"SEC. 224. CASH TIPS.

"There shall be allowed as a deduction an amount equal to the cash tips received during the taxable year that are included on statements furnished to the employer pursuant to section 6053(a).".

(2) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by redesignating the item relating to section 224 as relating to section 225 and by inserting after the item relating to section 223 the following new item:

"Sec. 224. Cash tips.".

(b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—Section 63(b) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting "and", and by adding at the end the following new paragraph:

"(5) the deduction provided in section 224.".

(c) NON-APPLICATION OF CERTAIN LIMITATIONS FOR ITEMIZERS.—

(1) DEDUCTION NOT TREATED AS A MISCELLANEOUS ITEMIZED DEDUCTION.—Section 67(b) of the

Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ", and", and by adding at the end the following new paragraph:

"(13) the deduction under section 224 (relating to cash tips).".

(2) DEDUCTION NOT TAKEN INTO ACCOUNT UNDER OVERALL LIMITATION.—Section 68(c) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ", and", and by adding at the end the following new paragraph:

"(4) the deduction under section 224 (relating to cash tips).".

(d) WITHHOLDING.—The Secretary of the Treasury (or the Secretary's delegate) shall modify the tables and procedures prescribed under section 3402(a) of the Internal Revenue Code of 1986 to take into account the deduction allowed under section 224 of such Code (as added by this Act).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2024.