

THE NO TAX ON TIPS ACT

BACKGROUND

31% of servers and 45% of bartenders are full-year, full-time employees.

2/3 of households with servers make \$55K or more per year.

Nationally, tipped servers take home a median of \$27/hour, with the highest-paid making more than \$41 an hour.

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The elimination of taxes on tips has been proposed in both chambers of Congress, where it has garnered bipartisan support. The idea is supported by both former President Donald Trump and Vice President Kamala Harris.

HOW IT WOULD WORK

The No Tax on Tips Act (S. 4621 and H.R. 8941) would create a 100% income tax deduction for tips. The deduction would apply to tips from any industry beginning in 2025.

WHAT WOULD NOT CHANGE

Tipped employees would still be required to report all tips. Employers and employees would continue to make FICA contributions.

- ✓ **It is critical for employees to demonstrate income to build credit and pay into Social Security and unemployment benefits through FICA contributions.**
- ✓ Restaurant operators will continue working with the Internal Revenue Service (IRS) to accurately report tips. The FICA tip credit (Sec. 45B of the federal tax code) would not change.
- ✓ Tip pooling requirements would not change.

WHERE THE ASSOCIATION STANDS

For the tipped workers that pay taxes, this proposal would help boost their take-home pay. There are more than 2 million tipped restaurant servers and bartenders who are critical to the success restaurant industry.

The National Restaurant Association supports common sense tax policies that support restaurant viability, including providing tax relief to tipped workers and their families.

IMPLICATIONS FOR STATE TAX POLICY

36 states automatically adopt federal tax policy into their state code. Many other state legislatures would likely need to adopt these changes to alter their state's income tax treatment of tips.

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The National Restaurant Association is the leading business association for the restaurant and foodservice industry.

RESTAURANTS BY THE NUMBERS

15.5 MILLION
employees

10%
of the nation's
workforce



1 MILLION+
locations around
the country

\$1.1 TRILLION
in projected sales

Making up **5%**
of the real U.S. GDP

