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119TH CONGRESS
1ST SESSION

H. R. 558

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 20, 2025

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 taxes for a period of 5 years.

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 ‘‘Tip Tax Termination Act’’.

SEC. 2. EXCLUSION FROM GROSS INCOME OF CERTAIN TIPPED WAGES.

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

"SEC. 139J. CERTAIN TIPPED WAGES.

"(a) IN GENERAL.—Gross income shall not include so much of the eligible tips received by an individual during the taxable year as does not exceed $20,000.

"(b) ELIGIBLE TIPS.—For purposes of this section, the term 'eligible tips' means amounts received while performing services which constitute employment in a position which generally relies on tips as part of wages, including cosmetology, hospitality, and food service.

"(c) DENIAL OF DOUBLE BENEFIT.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any amount which is excluded from gross income under this section shall not be taken into account in determining any deduction or credit under this chapter.

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

"(d) TERMINATION.—This section shall not apply to tips received after December 31, 2029.".

(b) 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 amounts excludible from gross income under section 139J of such Code (as added by this Act).

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

"Sec. 139J. Certain tipped wages.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 2024.

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