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 SENATE OF THE UNITED STATES

Mr. Cruz (for himself, Mr. Daines, Mr. Cramer, and Mr. Scott of Florida) introduced the following bill; which was read twice and 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 pur-
suant 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 MISCELLA-
NEOUS ITEMIZED DEDUCTION.—Section 67(b) of the
Internal Revenue Code of 1986 is amended by strik-
ing “and” at the end of paragraph (11), by striking
the period at the end of paragraph (12) and insert-
ing “, 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 strik-
ing “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 Inter-
national Revenue Code of 1986 to take into account the deduc-
tion 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.