

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1083

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**Version:** As introduced

**Authors:** Considine and others

**Subject:** State income tax credit for employers of certain tipped employees

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This bill allows a nonrefundable state income tax credit for employers of tipped employees who do not work in the food and beverage industry. The credit would equal the social security taxes and Medicare taxes (FICA taxes) the employer pays on tips the employee reports to the employer (7.65 percent of the reported tips).

**Background.** Federal law requires employees to report their tips (over \$20 in a month) to their employers, at least once a month. Employers pay the employer and employee shares of FICA taxes on reported tips (they pay the employee's share by withholding from the employee's wage income), and then include the reported tips in the employee's wages reported annually to the employee and the Internal Revenue Service on the employee's Form W-2.

Employers in the food and beverage industry may claim a federal income or corporate tax credit for FICA taxes on reported tips. This bill would allow an equivalent state credit for employers outside of the food and beverage industry.