



A BILL

To amend the Internal Revenue Code of 1986 to expand the tip tax credit to employers of cosmetologists and to promote tax compliance in the cosmetology sector.

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 ``Small Business Tax Equalization and Compliance Act of 2014''.

SEC. 2. EXPANSION OF CREDIT FOR PORTION OF SOCIAL SECURITY TAXES PAID WITH RESPECT TO EMPLOYEE TIPS.

(a) Expansion of Credit to Other Lines of Business.--Paragraph (2) of section 45B(b) of the Internal Revenue Code of 1986 is amended to read as follows:

- ``(2) Application only to certain lines of business.--In applying paragraph (1), there shall be taken into account only tips received from customers or clients in connection with--
 - ``(A) the providing, delivering, or serving of food or beverages for consumption if the tipping of employees delivering or serving food or beverages by customers is customary, or
 - ``(B) the providing of any cosmetology service for customers or clients at a facility licensed to provide such service if the tipping of employees providing such service is customary.''

(b) Definition of Cosmetology Service.--Section 45B of such Code is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

- ``(c) Cosmetology Service.--For purposes of this section, the term `cosmetology service' means--
 - ``(1) hairdressing,
 - ``(2) haircutting,
 - ``(3) manicures and pedicures,
 - ``(4) body waxing, facials, mud packs, wraps, and other similar skin treatments, and
 - ``(5) any other beauty-related service provided at a facility at which a majority of the services provided (as determined on the basis of gross revenue) are described in paragraphs (1) through (4).''

(c) Effective Date.--The amendments made by this section shall apply to tips received for services performed after December 31, 2013.

SEC. 3. INFORMATION REPORTING AND TAXPAYER EDUCATION FOR PROVIDERS OF

COSMETOLOGY SERVICES.

(a) In General.--Subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by inserting after section 6050W the following new section:

``SEC. 6050X. RETURNS RELATING TO COSMETOLOGY SERVICES AND INFORMATION TO BE PROVIDED TO COSMETOLOGISTS.

``(a) In General.--Every person (referred to in this section as a 'reporting person') who--

``(1) employs 1 or more cosmetologists to provide any cosmetology service,

``(2) rents a chair to 1 or more cosmetologists to provide any cosmetology service on at least 5 calendar days during a calendar year, or

``(3) in connection with its trade or business or rental activity, otherwise receives compensation from, or pays compensation to, 1 or more cosmetologists for the right to provide cosmetology services to, or for cosmetology services provided to, third-party patrons,

shall comply with the return requirements of subsection (b) and the taxpayer education requirements of subsection (c).

``(b) Return Requirements.--The return requirements of this subsection are met by a reporting person if the requirements of each of the following paragraphs applicable to such person are met.

``(1) Employees.--In the case of a reporting person who employs 1 or more cosmetologists to provide cosmetology services, the requirements of this paragraph are met if such person meets the requirements of sections 6051 (relating to receipts for employees) and 6053(b) (relating to tip reporting) with respect to each such employee.

``(2) Independent contractors.--In the case of a reporting person who pays compensation to 1 or more cosmetologists (other than as employees) for cosmetology services provided to third-party patrons, the requirements of this paragraph are met if such person meets the applicable requirements of section 6041 (relating to returns filed by persons making payments of \$600 or more in the course of a trade or business), section 6041A (relating to returns to be filed by service-recipients who pay more than \$600 in a calendar year for services from a service provider), and each other provision of this subpart that may be applicable to such compensation.

``(3) Chair renters.--

``(A) In general.--In the case of a reporting person who receives rent or other fees or compensation from 1 or more cosmetologists for use of a chair or for rights to provide any cosmetology service at a salon or other similar facility for more than 5 days in a calendar year, the requirements of this paragraph are met if such person--

``(i) makes a return, according to the forms or regulations prescribed by the Secretary, setting forth the name, address, and TIN of each such cosmetologist and the amount

received from each such cosmetologist, and
``(ii) furnishes to each cosmetologist
whose name is required to be set forth on such
return a written statement showing--

``(I) the name, address, and phone
number of the information contact of
the reporting person,

``(II) the amount received from
such cosmetologist, and

``(III) a statement informing such
cosmetologist that (as required by this
section), the reporting person has
advised the Internal Revenue Service
that the cosmetologist provided
cosmetology services during the
calendar year to which the statement
relates.

``(B) Method and time for providing statement.--The
written statement required by clause (ii) of
subparagraph (A) shall be furnished (either in person
or by first-class mail which includes adequate notice
that the statement or information is enclosed) to the
person on or before January 31 of the year following
the calendar year for which the return under clause (i)
of subparagraph (A) is to be made.

``(c) Taxpayer Education Requirements.--In the case of a reporting
person who is required to provide a statement pursuant to subsection
(b), the requirements of this subsection are met if such person
provides to each such cosmetologist annually a publication, as
designated by the Secretary, describing--

``(1) in the case of an employee, the tax and tip reporting
obligations of employees, and

``(2) in the case of a cosmetologist who is not an employee
of the reporting person, the tax obligations of independent
contractors or proprietorships.

The publications shall be furnished either in person or by first-class
mail which includes adequate notice that the publication is enclosed.

``(d) Definitions.--For purposes of this section--

``(1) Cosmetologist.--

``(A) In general.--The term 'cosmetologist' means
an individual who provides any cosmetology service.

``(B) Anti-avoidance rule.--The Secretary may by
regulation or ruling expand the term 'cosmetologist' to
include any entity or arrangement if the Secretary
determines that entities are being formed to circumvent
the reporting requirements of this section.

``(2) Cosmetology service.--The term 'cosmetology service'
has the meaning given to such term by section 45B(c).

``(3) Chair.--The term 'chair' includes a chair, booth, or
other furniture or equipment from which an individual provides
a cosmetology service (determined without regard to whether the
cosmetologist is entitled to use a specific chair, booth, or
other similar furniture or equipment or has an exclusive right
to use any such chair, booth, or other similar furniture or
equipment).

``(e) Exceptions for Certain Employees.--Subsection (c) shall not apply to a reporting person with respect to an employee who is employed in a capacity for which tipping (or sharing tips) is not customary.''.

(b) Conforming Amendments.--

(1) Section 6724(d)(1)(B) of such Code (relating to the definition of information returns) is amended by striking ``or'' at the end of clause (xxiv), by striking ``and'' at the end of clause (xxv) and inserting ``or'', and by inserting after clause (xxv) the following new clause:

``(xvi) section 6050X(a) (relating to returns by cosmetology service providers), and''.

(2) Section 6724(d)(2) of such Code is amended by striking ``or'' at the end of subparagraph (GG), by striking the period at the end of subparagraph (HH) and inserting `` , or'', and by inserting after subparagraph (HH) the following new subparagraph:

``(II) subsections (b)(3)(A)(ii) and (c) of section 6050X (relating to cosmetology service providers) even if the recipient is not a payee.''.

(3) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding after the item relating to section 6050W the following new item:

``Sec. 6050X. Returns relating to cosmetology services and information to be provided to cosmetologists.''.

(c) Effective Date.--The amendments made by this section shall apply to calendar years after 2013.

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