

# New Industry Tip Reporting Program

## Cross References

- IR-2023-19, February 6, 2023
- Notice 2023-13

The IRS has issued Notice 2023-13, which contains a proposed revenue procedure that would establish the Service Industry Tip Compliance Agreement (SITCA) program, a voluntary tip reporting program between the IRS and employers in various service industries. The IRS is issuing this guidance in proposed form to provide an opportunity for public comment.

The proposed SITCA program is designed to take advantage of advancements in point-of-sale, time and attendance systems, and electronic payment settlement methods to improve tip reporting compliance. The proposed program would also decrease taxpayer and IRS administrative burdens and provide more transparency and certainty to taxpayers. The proposed program includes several features.

- The monitoring of employer compliance based on actual annual tip revenue and charge tip data from an employer's point-of-sale system, and allowance for adjustments in tipping practices from year to year.
- Participating employers demonstrate compliance with the program requirements by submitting an annual report after the close of the calendar year, which reduces the need for compliance reviews by the IRS.
- Participating employers receive protection from liability under the rules that define tips as part of an employee's pay for calendar years in which they remain compliant with program requirements.
- Participating employers have flexibility to implement employee tip reporting policies that are best suited for their employees and their business model in accordance with the section of the tax law that requires employees to report tips to their employers.

The intent of the SITCA program is to serve as the sole tip reporting compliance program for employers in various service industries and would replace the following programs.

- Tip Rate Determination Agreement (TRDA)
- Tip Reporting Alternative Commitment (TRAC)
- Employer designed TRAC (EmTRAC)

The IRS is continuing to explore opportunities within the gaming industry and, as such, this program does not impact the existing Gaming Industry Tip Compliance Agreement (GITCA) program.

The proposed revenue procedure provides that for employers with any of these existing agreements, such agreements would remain in effect until the earlier of:

- 1) The employer's acceptance into the SITCA program,
- 2) An IRS determination that the employer is noncompliant with the terms of their TRDA, TRAC or EmTRAC agreement, or
- 3) The end of the first full calendar year after the final revenue procedure is published in the Internal Revenue Bulletin.

Anyone interested in providing feedback to the proposed SITCA program should follow the instructions in the notice and reply by May 7, 2023.