

Congress of the United States

Washington, DC 20515

October 28, 2022

The Honorable Janet Yellen
Secretary, U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, DC 20220

Dear Secretary Yellen:

We are writing to bring to your attention an issue of importance to tipped workers in the Las Vegas metro area. We commend the IRS for reducing the tip allocation rate for Las Vegas hospitality workers by an average of 60% in 2020 and 2021 to provide relief to hospitality, travel, and tourism businesses and their employees as a result of the COVID-19 pandemic. This sector includes what were some of the nation's hardest-hit industries, and the workers in those industries need more time to recover.

In March 2022, we were informed that the IRS raised the tip allocation rate, effective January 1, 2022, in some cases to higher levels than in 2019. We further understand that the IRS gathered data and consulted only with hospitality employers, and not labor unions, such as Culinary Workers Union Local 226 or the tens of thousands of tipped workers that Culinary Union represents in Nevada alone.

As a result of this development, several meetings occurred between the IRS Business Unit leadership team, Culinary Workers Union Local 226, and Nevada Resort Association so that a deal on implementing a phased-in tip allocation rate could be negotiated and agreed to amongst all parties. Meeting participants included representatives from Wynn Resorts, MGM Resorts, Caesars Entertainment and The Venetian Resort. Below are the dates these meetings occurred:

1. **Tuesday, April 12, 2022**, with IRS Deputy Commissioner Douglas O'Donnell.
2. **Friday, July 8, 2022**, with Lia Colbert, the Commissioner of the Small Business Division; Deputy Commissioner, Maha Williams, and Scott Irick, the Director of Exam.
3. **Thursday, September 8, 2022**, with the IRS Business Unit leadership.
4. **Thursday, October 13, 2022 (in-person)**, with IRS Business Unit leadership team at the Las Vegas IRS office.

The tip allocation rate affects tens of thousands of workers in Las Vegas, Nevada and around the country, and workers deserve a seat at the table at a time when they face higher housing, gas, and food costs while they are trying to recover from the worst economic crisis they have seen in their lifetime.

Given this information, we respectfully request you to review and approve the following phased-in tip allocation rate proposal that has been agreed to by employers and workers in Las Vegas:

Tip Allocation Rate Phase-In Proposal


Adjust current rate increases to the following: first 1/3 rate increase from the effective date to 12/31/23, second 1/3 rate increase effective 1/1/2024, third and final 1/3 rate increase effective 1/1/2025.

Additionally, we request a meeting with you no more than 30 days after receipt of this letter to discuss the parameters of the phased-in tip allocation rate proposal. We look forward to your response to this letter.

Sincerely,



Steven Horsford
United States House of Representatives



Catherine Cortez Masto
United States Senate



Jacky Rosen
United States Senate



Dina Titus
United States House of Representatives



Susie Lee
United States House of Representatives

Cc:
President Joe Biden
Vice President Kamala Harris
Treasury Deputy Secretary Wally Adeyemo
IRS Commissioner Charles Rettig
IRS Deputy Commissioner Douglas O'Donnell