

News from Senator

BOB DOLE



(R - Kansas)

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TIP REPORTING LAW PROVEN A SUCCESS

WASHINGTON -- Senator Bob Dole (R., Kans.), Chairman of the Senate Finance Committee, today released figures that indicate that the new tax rules requiring expanded reporting of tip income has dramatically increased tax compliance with respect to tip income.

"Tips reported for tax purposes more than doubled in the first quarter of 1983 over the first quarter of 1982 in bars and other beverage establishments and increased 87 percent overall for food and beverage establishments. That improvement occurred with only the first phase of the new law. Individualized reporting begins only after April 1st. Thus, the results for the second quarter of 1983 should be even more substantial," Senator Dole stated.

"At a time when various Washington special interests are seeking the effective repeal of the new law, these results prove that the new rules are working. Tip reporting rates are beginning to come much closer to compliance levels for ordinary wage earners. Statistical proof that the new rules are improving compliance demonstrate that we cannot afford so-called 'technical' amendments which will effectively eliminate proven new rules."

According to the Treasury Department's figures released today, despite the fact that wages paid did not increase, total tips reported in the hospitality industry increased \$167.3 million in the first quarter of 1983, an increase of 87 percent over the first quarter of 1982. In bars and other beverage establishments alone, the increase was 133 percent.

"While the new law is working well, the Internal Revenue Service should do everything it can to minimize the burden of these new information reporting requirements. I hope that the Internal Revenue Service will move promptly to finalize the new reporting rules. When those regulations are issued, I hope that the Internal Revenue Service recognizes, in particular, the right of employers to make the estimated unreported tip allocation on an annual basis," Dole concluded.