



ASSOCIATION OF COSMETOLOGY SALON PROFESSIONALS

Federal Legislative Update

★ 119TH U.S. CONGRESS • 2025–2026 SESSION • CONGRESS.GOV

OVERVIEW

The 119th Congress has produced a landmark tax win for the professional beauty industry — the permanent expansion of the Section 45B FICA Tip Credit to salons, barbershops, and spas. This update tracks that enacted law alongside pending bills on chemical safety and worker protection that ACSP members should monitor.

Enacted Law SIGNED & IN EFFECT

H.R. 1 — One Big Beautiful Bill Act

Signed into law by President Trump • July 4, 2025

ENACTED LAW TAX RELIEF COSMETOLOGY BARBERING

The reconciliation bill includes two major provisions directly benefiting the professional beauty industry — one permanent and one temporary — affecting salon owners, booth renters, and tipped employees alike.

- **Section 45B FICA Tip Credit — PERMANENT expansion:** For the first time since 1993, the employer tip credit is extended permanently to barbershops, hair salons, nail salons, spas, and other beauty service businesses. Employers may claim a credit equal to 7.65% of qualifying employee tips above the federal minimum wage. Previously available only to food and beverage employers.
- **Applies to:** Tax years beginning January 1, 2025 — employers can claim this on 2025 returns filed in 2026.
- **"No Tax on Tips" deduction — TEMPORARY:** Individual workers may deduct up to \$25,000 of tip income from federal taxable income. Hair stylists, nail technicians, estheticians, and massage therapists are explicitly listed as qualifying occupations.
- **Income limits:** Phases out beginning at \$150,000 AGI (single) / \$300,000 (married filing jointly), at \$100 reduction per \$1,000 over threshold.
- **Expires December 31, 2028** — applies to tax years 2025 through 2028 only; Congressional action required to extend.

- **Note:** Tips remain subject to FICA payroll taxes (Social Security and Medicare). State income tax rules vary — check your state's conformity.

 **Industry Impact:** An estimated 109,589 barbershop businesses and 86,000+ hair salons nationwide are newly eligible for the permanent Section 45B employer tip credit. This is the most significant federal tax relief for the professional beauty industry in over 30 years. ACSP recommends members consult their tax professional to maximize these benefits on 2025 returns.

By the Numbers

109,589

Barbershop businesses newly
eligible for 45B credit

86,000+

Hair salons eligible for employer
tip credit

7.65%

Credit rate on qualifying tips
above min. wage

\$25,000

Max tip deduction per worker
(2025–2028)

Status: Signed into law July 4, 2025 · Effective tax year 2025

Pending Federal Legislation ACTIVE IN COMMITTEE

S. 1998 / H.R. 2603

Small Business Tax Fairness and Compliance Simplification Act

BIPARTISAN TAX & COMPLIANCE COSMETOLOGY BARBERING

Introduced June 18, 2025 by Sen. Angela Alsobrooks (D-MD) and Sen. Tim Scott (R-SC) in the Senate, and Reps. LaHood (R-IL) and DelBene (D-WA) in the House. The bill originally sought to extend Section 45B to the beauty industry — a goal now partially achieved by H.R. 1. The bill may still advance provisions related to safe harbor rules for tipped wage reporting and employer compliance simplification.

- **Safe harbor provisions:** Would clarify employer obligations for tracking and reporting tips in service businesses, reducing audit exposure for small salon operators.
- **Compliance simplification:** Targets administrative burden on small beauty businesses with tipped employees, including booth renters and commission stylists.

Note: With H.R. 1 now enacted, watch for this bill to be amended or refocused on compliance relief provisions not addressed in the reconciliation package. Sen. Scott's co-sponsorship is notable — he represents South Carolina's large beauty industry workforce.

Status: Referred to Senate Finance Committee / House Ways & Means · June 2025 · No further action

H.R. 4436

Cosmetic Safety Protections for Communities of Color and Salon Workers Act of 2025

COSMETOLOGY WORKER HEALTH CHEMICAL SAFETY

Introduced July 18, 2025 by Reps. Ayanna Pressley (D-MA) and Jan Schakowsky (D-IL), with co-sponsors Reps. Fletcher and Matsui. Part of the broader "Safer Beauty Bill Package" — a set of four related bills reintroduced in the 119th Congress. This bill specifically addresses the disproportionate chemical exposure risk faced by salon workers and consumers of color.

- **FDA research funding:** Directs funding for research, education, and development of safer alternative chemicals used in professional salon products.
- **Synthetic braiding hair:** Requires FDA to establish safety regulations for synthetic braiding hair — a product currently outside federal cosmetic safety oversight.
- **Salon worker protections:** Targets toxic chemical exposure for workers who handle products daily in enclosed spaces, including relaxers, keratin treatments, and nail products.

Why ACSP is watching: Licensed cosmetologists and nail technicians face among the highest rates of occupational chemical exposure of any profession. This bill has 150+ organizational endorsements. While passage in the current Congress is uncertain, it signals growing federal attention to salon worker safety.

Status: Referred to House Energy & Commerce Committee · July 18, 2025 · No further action

H.R. 4433

Toxic-Free Beauty Act of 2025

COSMETOLOGY WORKER HEALTH CHEMICAL SAFETY

Introduced July 18, 2025 by Reps. Jan Schakowsky (D-IL) and Lizzie Fletcher (D-TX) as part of the Safer Beauty Bill Package. Would grant the FDA authority to ban 18 specific toxic chemicals plus entire classes of hazardous preservatives from beauty and personal care products sold in the United States — aligning U.S. standards closer to European Union restrictions.

- **Chemical classes banned:** Ortho-phthalates and formaldehyde-releasing preservatives (entire classes).

- **Specific substances targeted:** Mercury, lead, asbestos, toluene, styrene, triclosan, parabens, certain hair dye compounds, and other hazardous materials.
- **Scope:** Applies to both consumer retail products AND professional salon products — directly affecting products used in licensed establishments.
- **Enforcement:** FDA would have clear authority to act against products containing prohibited substances.

Why ACSP is watching: Formaldehyde-based keratin treatments and certain nail products are widely used in professional salons. If enacted, this bill would require product reformulation industry-wide. Salon owners should be aware of this potential regulatory shift, particularly those using Brazilian blowout-style treatments or gel/acrylic nail systems.

Status: Referred to House Energy & Commerce Committee • July 18, 2025 • No further action

H.R. 4434 / H.R. 4435

Cosmetic Supply Chain Transparency Act & Cosmetic Hazardous Ingredient Right to Know Act

SAFETY PACKAGE TRANSPARENCY COSMETOLOGY

Two additional bills in the Safer Beauty Bill Package introduced July 18, 2025. H.R. 4434 (Rep. Schakowsky) would require suppliers to disclose full ingredient lists and safety data to cosmetic manufacturers, closing a current loophole. H.R. 4435 (Reps. Schakowsky and Matsui) would require product labels and websites to disclose potentially harmful undisclosed chemicals.

- **Supply chain transparency (H.R. 4434):** Manufacturers would receive complete ingredient and safety information from their own suppliers — enabling informed reformulation decisions.
- **Right to Know (H.R. 4435):** Consumers and professionals would be able to see undisclosed chemicals on labels and company websites, including fragrances currently listed only as "fragrance."

Status: Referred to House Energy & Commerce Committee • July 18, 2025 • No further action

Key Federal Resources



Congress.gov

Official federal bill tracking & legislative text



IRS Tip Reporting Guide

Employer & employee tip recordkeeping requirements



Professional Beauty Association

Federal advocacy & industry legislative updates



FDA Cosmetics

Federal cosmetic safety
regulations & guidance



OSHA Salon Safety

Chemical hazard resources for
salon workers



ACSP Member Portal

Member advocacy tools &
legislative alerts

Association of Cosmetology Salon Professionals (ACSP)

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