

United States Senate

WASHINGTON, DC 20510

March 2, 2022

The Honorable Charles P. Rettig
Commissioner, Internal Revenue Service
1111 Constitution Avenue
Washington, D.C. 20224

Dear Commissioner Rettig:

We understand that with the onset of the COVID-19 pandemic, the IRS correctly reduced the tip allocation rate for Nevada workers by an average of 60% to provide relief to hospitality, travel, and tourism businesses and their employees. This sector includes some of the nation's hardest-hit industries, and it has yet to make a full economic recovery. We have been informed, however, that the IRS may have raised the tip allocation rate, effective January 1, 2022, in some cases to *higher* levels than in 2019. We further understand that the IRS is allegedly conveying the change through hospitality employers, but has not met or even consulted with labor unions, such as Culinary Workers Union Local 226 or the tens of thousands of tipped workers that Culinary Union represents in Nevada alone. We note that while the economic recovery has advanced at different rates around the country, in Nevada the tourism and hospitality industries struggled with the arrival of the Delta and Omicron variants, and the state's unemployment rate remains one of the highest in the country.

Given this information, **we respectfully request that IRS staff schedule a meeting with Culinary Union and affected workers** to discuss what a fair tip allocation rate would be for tipped workers in Nevada. In addition, please respond to the following questions in writing within 30 days from receipt of this letter:

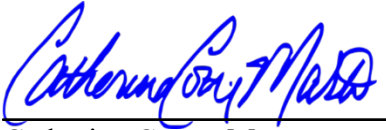
1. How did the IRS announce that it would increase the tip allocation rate? Please provide a copy of any written notification, including notification made by electronic communication.
2. What is the IRS's reasoning for increasing the tip allocation while the COVID-19 pandemic continues to harm hospitality workers and the hardest-hit industries are still struggling to maintain their workforce?
3. What specific health or economic factors were considered to determine this change? Was it determined that no more economic relief was needed? Did the IRS consider unemployment data in Nevada and particularly in the tourism, travel, and hospitality industries?
4. Did the IRS consult with employers, organized labor, or affected tipped workers – as it has done in the past – before making this decision? If not, why not?

The hospitality industry continues to struggle with one of the highest unemployment rates in the country, with those in food and beverage services facing double the national unemployment rate. The tip allocation rate affects tens of thousands of workers in Nevada and around the country, and they deserve a seat at the table at a time when they face higher rental and housing costs while hoping to work enough hours to make ends meet. Businesses are still struggling to fully recover and maintain a stable workforce as the persistence of the COVID-19 pandemic threatens worker safety. This is not the time to penalize workers and businesses. We look forward to an expeditious response.

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Sincerely,



Catherine Cortez Masto
United States Senator



Jacky Rosen
United States Senator