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GENERAL MEMORANDUM 23-002

Internal Revenue Service Provides Notice of a Proposed Revenue Procedure Establishing the Service Industry Tip Compliance Agreement Program

On February 6, 2023, the Internal Revenue Service (IRS) published [Notice 2023-13](#). The notice sets forth a proposed revenue procedure that will establish the Service Industry Tip Compliance Agreement (SITCA). The SITCA is a new voluntary tip reporting program that will be offered to employers in the service industry (excluding gaming industry employers). The SITCA will replace the Tip Reporting Alternative Commitment (TRAC) program and Tip Rate Determination Agreement (TRDA) program.

Tribal employers with a TRAC or TRDA will be affected by this change (tribal employers that have a Gaming Industry Tip Compliance Agreement (GITCA) are unaffected). Once the revenue procedure announcing the SITCA is finalized and published, tribal employers with a TRAC or TRDA will have a limited time before their agreement is obsolete and no longer valid.

The IRS requests comments by May 7, 2023, on all aspects of the new revenue procedure but is specifically interested in receiving comments on the following:

- How a technology-based time and attendance system may be used by tipped employees to report tips, including tips in cash and other forms of tipping made through electronic payment methods (other than a credit card), regardless of whether the tips are received directly from customers or through tip sharing arrangements;
- How tip sharing practices vary across service industries and how the SITCA program can support employer participation while accommodating potential differences in Federal, state, and local labor and employment law requirements;
- How employers of large food or beverage establishments participating in the SITCA program may meet their filing and reporting obligations under Section 6053(c) and also satisfy the SITCA program requirements for compliance, while minimizing the administrative burdens on taxpayers and the IRS.

Please let us know if we may provide additional information about IRS Notice 2023-13.

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