

No Tax on Tips, No Tax on Overtime Through 2028

Effective the tax year starting January 1, 2025...

If you received Tipped Income:

Employees who customarily and regularly receive tips may be able to deduct up to \$25,000 in tips from their income subject to federal income tax, and businesses must report these tips on Form W-2 for employees and on Form 1099 for non-employees.

If you received tip income as an employee, your W-2 should provide the necessary information for your tax return.

If you received tip income as a self-employed individual, you will need to separate out the tip income from the total. This information should come from contemporaneous records such as a daily tip log or point-of-sale system reports.

If you received Overtime Pay:

Workers may also deduct up to \$12,500 in qualified overtime pay from their income on their tax return. Qualified overtime compensation is defined as “overtime compensation paid to an individual that is in excess of the regular rate. Workers can deduct \$12,500 (\$25,000 in the case of a joint return) in overtime pay from their income subject to federal income tax. This deduction also has no effect on Social Security and Medicare taxes.

Employers are not likely to report the total amount of qualified overtime compensation on their employees’ 2025 Forms W-2. Because of the mid-year adoption of the tax bill, the IRS is not requiring this W-2 reporting by employers for 2025.

If you received overtime pay in 2025, please provide your tax preparer with your final 2025 pay stub.