

	No Tax on Tips	No Tax on Overtime
Years in Effect	2025-2028	
Income Tax Deduction Only	No exclusion from Social Security and Medicare tax	
Itemized Deductions	Not required; may take this deduction in addition to the standard deduction	
Married Couples	Must file joint return	
Social Security Number	Must be valid for employment, no ITIN	
Phaseout of Deduction	\$100 for each \$1000 MAGI exceeds \$150,000 (\$300,000 joint returns)	
Limitation of Deduction	\$25,000 (all returns)	\$12,500 (\$25,000 joint returns)
Employee/Self-Employed	Both	Employees only
Qualifying Income	Voluntary tips only, no “service charges,” etc.	Pay in excess of the regular rate for hours in excess of 40 in a week (“the ½ in time and a half”)
Included Occupations	Food and beverage servers, beauty services such as hair and nails, and other occupations where tipping has been customary; Secretary of the Treasury to publish list	Any required to pay overtime compensation by the Fair Labor Standards Act.
Excluded Occupations	For both employees and self-employed: Specified Service Trades or Businesses, which include: health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees or owners	None specified; however, laws such as minimum wage and reasonable compensation still apply
Special Rules for Self-Employed	<ol style="list-style-type: none"> 1. Deduction cannot exceed net income after all other deductions (cannot create or increase a loss) 2. Any tip deduction is excluded from income for purposes of the 20% Qualified Business Income deduction 	Not Applicable
Regulations	The Secretary of the Treasury shall issue necessary regulations and guidance, including those to prevent abuse of these deductions	