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Do you receive tips or earn overtime pay at work?

Under the [One, Big, Beautiful Bill](#), some taxpayers that receive tips and overtime pay may be eligible for new deductions for tax years 2025 through 2028.

No tax on tips deduction	No tax on overtime deduction
Who qualifies	
Eligible tipped workers who: <ul style="list-style-type: none">» Have a Social Security number (SSN)» Claim itemized or the standard deductions» If married, file a joint return	Taxpayers who: <ul style="list-style-type: none">» Have a Social Security number (SSN)» Claim itemized or the standard deductions» If married, file a joint return
What can be deducted	
Qualified tips are cash or charged tips, including shared tips, that are paid voluntarily, not subject to negotiation, and determined by the customer. Tips received while performing services that are felonies or misdemeanors, or for prostitution or pornographic activity are not qualified tips.	Individuals may deduct the overtime paid to them as required under section 7 of the Fair Labor Standards Act of 1938 that is more than their regular rate of pay (generally, the “half” portion of “time-and-a-half”). Time and a half that is not required by section 7 of the FLSA (e.g., due to state law or union contract) is not deductible. Also, it is time and a half, even if paid double time or some other premium.
Maximum annual deduction	
\$25,000	\$12,500 (\$25,000 for joint filers)
Phaseout amounts	
Phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers)	Phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers)
How amounts are reported to taxpayers	
Qualified tips should generally be reported on a Form W-2, Form 1099-NEC, Form 1099-MISC, or Form 1099-K or on Form 4137 if the individual directly reports the tips as an employee. However, a transition rule applies for tax year 2025 and these amounts may not be separately stated. See Notice 2025-69 or the Instructions for Form 1040 for guidance on how to determine the amount for tax year 2025.	Qualified overtime should generally be reported on Form W-2, Form 1099-NEC, or Form 1099-MISC. However, a transition rule applies for tax year 2025 and these amounts may not be separately stated. See Notice 2025-69 or the Instructions for Form 1040 for guidance on how to determine the amount for tax year 2025.
How taxpayers can claim the deduction	
On Form 1040, Schedule 1-A, Additional Deductions , Part II	On Form 1040, Schedule 1-A, Additional Deductions , Part III
When the deduction can be claimed	
Only for tax years 2025 through 2028	Only for tax years 2025 through 2028

For more information and additional details on eligibility requirements, refer to the [One, Big, Beautiful Bill provisions](#) page on IRS.gov and the Instructions for Form 1040.