



Department  
of the  
Treasury

Internal  
Revenue  
Service

Publication 531  
Cat. No. 15059V

# Reporting Tip Income

For use in preparing  
**1996** Returns

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## Important Reminder

**Foreign source income.** If you are a U.S. citizen with income from **sources outside the United States (foreign income)**, you must report all such income on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form W-2 or 1099 from the foreign payor. This applies to earned income (such as wages and tips) as well as unearned income (such as interest, dividends, capital gains, pensions, rents and royalties).

If you reside outside the United States, you may be able to exclude part or all of your foreign source earned income. For details, see Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

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## Introduction

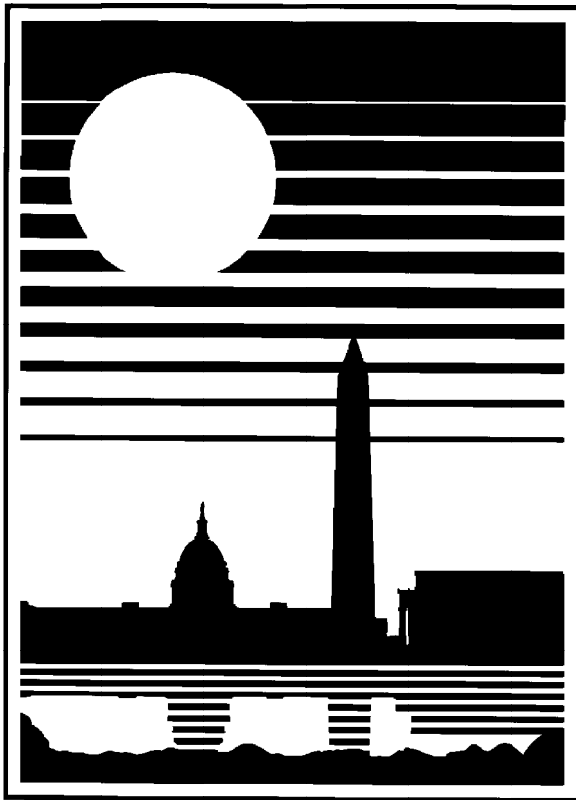
This publication will help you understand how your tip income is taxed and how to report it on your federal income tax return. Employees of food and beverage establishments who receive tips are the focus of this publication. The recordkeeping rules and other information may also apply to other workers who receive tips, such as hairdressers, cab drivers, and casino dealers.

All tips you receive are taxable income and are subject to federal income tax. You must include in gross income all tips you receive directly from customers, tips from charge customers that are paid to you by your employer, and your share of any tips you receive under a tip-splitting arrangement.

In addition, cash tips of \$20 or more that you receive in a month while working for any one employer are subject to withholding of income tax, social security or railroad retirement tax, and Medicare tax. Report the tips you receive to your employer so that the correct amount of these taxes can be determined.

**Social security or railroad retirement benefits.** Your tips and other pay are used to determine the amount of social security or railroad retirement benefits you or your family may receive if you retire, become disabled, or die. Also, your tip income will be considered in determining your eligibility for Medicare benefits at age 65 or if you become disabled. You can get information about these benefits from Social Security offices or Railroad Retirement Board offices. Noncash tips are not counted as wages for social security or Medicare purposes.

Your future benefits can be figured correctly only if the Social Security Administration (SSA) has your correct information. To make sure that you have received credit for all your earnings, you should request a statement of your earnings from SSA at least every other year. You can get information on how to receive a statement of your earnings by calling 1-800-SSA-1213, or for the hearing impaired with access to TTY/TDD equipment, 1-800-325-0778. When you get the statement from



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- From your FAX machine, dial ▶ (703) 487-4160.
- See *How To Get More Information* in this publication.

SSA, you should check it to be sure it includes all of your earnings.

**Tip allocation.** Every large food or beverage establishment must report to the Internal Revenue Service (IRS) any tips allocated to its employees. Generally, tips must be allocated to employees when the total tips reported to an employer by employees are less than 8% of the establishment's food and beverage sales. For more information, see *Tip Allocation*, later.

**Importance of good records.** You and your employer must keep accurate records of your tip income. *Table 1*, shown later in this publication, shows how tips are reported to you by your employer and how to report tips on your return. It may be helpful to refer to this table when you are preparing your return.

## Useful Items

You may want to see:

### Publication

- 505** Tax Withholding and Estimated Tax
- 1244** Employee's Daily Record of Tips and Report to Employer

### Form (and Instructions)

- 4137** Social Security and Medicare Tax on Unreported Tip Income

See *How To Get More Information*, near the end of this publication for information about getting these publications and this form.

## Reporting Tips

You must report all tips as wages on Form 1040, Form 1040A, or Form 1040EZ. This includes the value of tips not paid in cash, such as passes, tickets, goods, or services. If you received tips of \$20 or more in a month and did not report all of them to your employer, you must file Form 1040 and Form 4137. You cannot file Form 1040A or Form 1040EZ. If you are a railroad employee and you did not report tips of \$20 or more, contact your employer.

**Service charges.** A club, hotel, or restaurant may require customers who use its dining or banquet rooms to pay a service charge, which is given to the waiters or waitresses and other employees. Your share of this service charge is not a tip, but it is part of your wages paid by the employer. You should not include your share of the service charge in your report of tips to your employer. Your employer should not include your share of the service charge as tips paid to you, but should include it in your wages.

**Tip splitting.** If you split tips with fellow employees, include only your share of the tips in your report to your employer. An example of tip splitting is a waiter giving part of his tips to busboys. "Tip splitting" may be referred to also as "tip sharing" or "tip pooling."

## Daily Record of Tips

You must keep a **daily record** or **other documentation** to prove the amount of tip income you report on your return.



**Daily record.** Your daily record must show the following.

- 1) Your name and address,
- 2) Your employer's name, and
- 3) The establishment's name.

### Also show for each workday:

- 1) The amount of cash tips you receive directly from customers or from other employees,
- 2) Tips from credit card charge customers when paid to you by your employer,
- 3) The amount of tips you paid out to other employees through tip splitting, etc., and
- 4) The names of the other employees to whom you paid tips.

Make the entries in your daily record on or near the date you receive the tip income. Your records should also show the date each entry is made.

**Other documentation.** If you do not keep a daily record of tips, you must maintain other documentation of the tip income you receive. This other documentation must be as credible and reliable as a daily record. The records must show:

- 1) Tips added to checks by customers and paid over to you, or
- 2) Amounts paid for food or beverages on which you generally would receive a tip.

### Examples of other documentary records are copies of:

- 1) Restaurant bills,
- 2) Credit card charges, or
- 3) Charges under any other arrangement containing amounts added by customers as tips.

**Which form to use.** You can use **Form 4070A**, *Employee's Daily Record of Tips*, to record your tips.

**Form 4070A** can be found only in Publication 1244, *Employee's Daily Record of Tips and Report to Employer*. You can get Publication 1244 from the IRS or your employer. A filled-in Form 4070A is shown at the end of this publication.

**Your personal records.** You should keep your daily tip record and a copy of the written reports you give your employer with your personal records.

## When To Report Tips to Employer

You must give your employer a written report of your tips for each month by **the 10th day** of

the next month. This report is required for each month that you receive tips of \$20 or more while working for that employer.

**Saturday, Sunday, holiday rule.** If the 10th day of the month falls on a Saturday, Sunday, or legal holiday, you can give your employer the report on the next day that is not a Saturday, Sunday, or legal holiday.

**Example.** You must report tips of \$20 or more you receive during April 1997 to your employer by Monday, May 12, 1997.

## How To Report Tips to Employer

The following discussions refer only to tips paid by cash, charge, and check.

**Less than \$20 in tips in one month.** If you receive less than \$20 in tips while working for one employer during a month, you do not have to report them to that employer. But you must include the tips in gross income on your income tax return. You do not have to pay social security tax, Medicare tax, or railroad retirement tax on these tips.

**\$20 or more of tips in one month.** If you receive tips of \$20 or more in a month while working for any one employer, you must report the total amount of your tips to that employer.

**Example 1.** You work for Watson's Restaurant during the month and receive \$75 in tips. Because your tips are more than \$20 for the month, you must report the \$75 to your employer.

**Example 2.** You work for Watson's Restaurant during the month and receive \$17 in tips. In that same month you work for Parkview Restaurant and get \$14 in tips. Even though your tips total \$31, you do not have to report tips to either employer because you did not receive \$20 or more in tips from either job. However, you should keep a record of the \$31 because you must report it as income on your tax return.

**Example 3.** You work for Watson's Restaurant and receive \$25 in tips. In that same month you work for Parkview Restaurant and get \$12 in tips. Because your tips for Watson's Restaurant are \$20 or more for the month, you must report the \$25 to that employer. You do not have to report the \$12 in tips you received while working for Parkview Restaurant to either employer. However, you should keep a record of the \$12 because you must report it as income on your tax return with your other tips.

**Termination of employment.** When you stop working for your employer, you should report your tips of \$20 or more to your employer at that time. If you do not report the tips when you stop working, you must give a statement to your employer either before your final payday or by the 10th day following the month you receive the tips, whichever is earlier.

**Example.** You stop working as a waiter in April after receiving \$85 in tips for the month. You will receive your final pay in May. You must report your tips for April to your employer

before the earlier of May 10 or the day before you receive your final pay.

**Date tips are treated as paid.** Tips are treated as paid to you when you make the written report to your employer. However, if you make no report to your employer, tips are treated as paid to you when you receive them.

**Example 1.** During December of last year, you received \$300 in tips. On January 10 of this year, you reported the tips to your employer. Your December tips will be treated as paid to you in January, the time you made the report to your employer. You must report the \$300 on this year's income tax return.

**Example 2.** If during December of last year your tips were only \$18, you would not have to make a report to your employer. In this case, your tips are treated as paid in December of last year, the time you actually received them. You must report the \$18 on this year's income tax return.

**Information you must report.** To report tips to your employer, you can use **Form 4070**, *Employee's Report of Tips to Employer*. This form, available only in Publication 1244, tells you what information you must report. If you do not use Form 4070, your report should include the following.

- The amount of tips,
- Your employer's name and address,
- Your name, social security number, and address,
- The month (or shorter period) covered,
- Your signature, and
- The date of the report.

A filled-in Form 4070 is shown at the end of this publication.

## Withholding on Tips by Employer

Your employer must withhold income tax, social security or railroad retirement tax, and Medicare tax on the tips you report. Your employer usually deducts the withholding due on tips from your regular wages. However, you do not have to have income tax withheld if you can claim exemption from withholding.

**Exemption from withholding.** Income tax will not be taken out of your pay if you give your employer a filled-in **Form W-4**, *Employee's Withholding Allowance Certificate*, claiming exemption from withholding. You can claim exemption only if you had no income tax liability last year and expect none this year. Your exemption from withholding is only good for 1 year. To continue your exemption, you must file a new Form W-4 by February 15 next year certifying that you meet the conditions for claiming exemption.

**Employer's recordkeeping.** Your employer may withhold an amount from your wages

based on an estimate of your tips. Your employer also may require your written tip reports more than once a month and deduct the taxes due on your reported tips even though they do not yet total \$20. If this is done, your employer must adjust the amount of taxes withheld from time to time, based on the actual amount of tips you report.

**Form W-2.** The Form W-2, *Wage and Tax Statement*, which you get from your employer, includes your reported tips.

- Box 1 includes your total wages, other compensation, and the tips you reported.
- Box 3 is your social security wages not including tips.
- Box 7 is your social security tips, the tips you reported to your employer.
- Box 5 is your Medicare wages and tips, which for most persons will be the sum of boxes 3 and 7. Your Medicare wages and tips total will be higher if your wages and tips are more than \$62,700.

Any tips that are allocated to you (discussed later) are shown in box 8. Allocated tips are not included in boxes 1, 5, and 7. Any errors you find in these amounts should be brought to your employer's attention as soon as possible so you can obtain a corrected form.

**Giving your employer money for taxes.** Your regular pay may not be enough for your employer to withhold all the tax due on your regular pay plus reported tips. You can give your employer money to pay this withholding tax up to the close of the calendar year.

If your wages and any money you provide are not enough to pay all of your withholding taxes, the amounts will be applied in the following order. Your employer will first withhold from your wages all taxes due on your regular wages. This includes withholding for state and local income tax. Next, your employer will withhold, from the balance of your wages, taxes due on your reported tips. Social security and Medicare tax on reported tips will be withheld before any income tax will be withheld. Any taxes that remain unpaid should be collected by the employer out of your next paycheck.

You may pay estimated tax instead of giving your employer extra money. Use **Form 1040-ES**, *Estimated Tax for Individuals*. See Publication 505, *Tax Withholding and Estimated Tax*, for more information.

**Uncollected employee social security and Medicare tax on tips.** Box 13 (code A) on your Form W-2 will show the amount of social security tax on tips that your employer was unable to withhold and for which you did not give your employer extra money to pay the tax.

Box 13 (code B) will show the amount of Medicare tax on tips that your employer was unable to withhold and for which you did not give your employer extra money to pay the tax.

You must file Form 1040 to report the amount of uncollected tax on tips from box 13 (codes A and B), Form W-2, and pay it with your return, even if you do not otherwise have to file a return. Include the amount of uncollected tax in the total on line 51 of Form 1040.

On the dotted line next to line 51, write "UT" and show the amount.

**Limit on social security tax.** The pay you received and the tips you reported to a nonrailroad employer in 1996 were subject to the withholding of social security tax at the rate of 6.2% on the first \$62,700 of compensation. Your pay and tips are also subject to withholding of Medicare tax at the rate of 1.45% on all compensation. No more than \$3,887.40 for social security tax should have been withheld from your pay by any one employer.

**Limit on railroad retirement tax.** If your pay and the tips you reported to your railroad employer in 1996 were subject to the withholding of tier 1 and/or tier 2 railroad retirement tax, see the following discussions.

**Tier 1.** Your employer withheld tier 1 railroad retirement tax at the rate of 6.2% on the first \$62,700 of compensation and Medicare tax at the rate of 1.45% on your total compensation. No more than \$3,887.40 for railroad retirement tax should have been withheld from your pay by any one employer during 1996.

**Tier 2.** Your employer withheld tier 2 railroad retirement tax at the rate of 4.90% on the first \$46,500 of your pay and tips. No more than \$2,278.50 should have been withheld from your pay during 1996.

**Two or more employers.** If you worked for two or more employers in 1996, who together withheld more than \$3,887.40 of social security tax or tier 1 railroad retirement tax, or \$2,278.50 of tier 2 railroad retirement tax, you may claim the extra amount as a credit to reduce your income tax when you file your return. See *Excess Social Security or Railroad Retirement Tax Withholding* in Publication 505 for more information.

**Overwithholding by one employer.** If any one employer withheld too much social security, Medicare, or railroad retirement tax, you may not claim the extra amount as a credit to reduce your income tax. Your employer must adjust this for you.

**No limit for withholding of income tax.** Unlike the social security and railroad retirement taxes, there is no dollar limit on the income tax withheld on wages and tips. The income tax withheld by your employer will either decrease what you owe at the end of the year or increase your refund when you file your return.



**Penalties.** To ensure that all taxpayers pay their fair share of taxes, the law provides penalties for failure to file returns or pay taxes as required. Some other penalties that may be charged include those for:

- 1) Not supplying a correct social security number to an employer or other person required to file a report with IRS about the taxpayer,
- 2) Filing a frivolous income tax return,
- 3) Filing a fraudulent return, or
- 4) Failing to report tips, discussed later.

Some penalties may not be charged if failure to follow the tax laws and regulations was due to reasonable cause and not willful neglect.

**Penalty for false information on Form W-4.** If you make statements or claim withholding allowances on your Form W-4 that decrease the amount of tax withheld and there is no reasonable basis for such statements or allowances at the time you prepare your Form W-4, you may have to pay a penalty of \$500.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount withheld. The penalty, upon conviction, is a fine of not more than \$1,000, or imprisonment for not more than 1 year, or both.

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## Tips Not Reported to Employer

If you received tips of \$20 or more in any month while working for one employer, but did not report all of them to your employer, you must figure your social security and Medicare tax on the tips not reported. You should use **Form 4137, Social Security and Medicare Tax on Unreported Tip Income**, and attach it to Form 1040. See *Social Security and Medicare Tax on Unreported Tip Income (Form 4137)*, later.

**Employees subject to the Railroad Retirement Act.** If you receive tips while working for a railroad employer, you should report all of your tips to your employer. You cannot get railroad retirement credit for your tips unless you report these tips to your employer. A railroad employee cannot file Form 4137 for unreported tips. You should report these tips each pay period. Your tips will be subject to withholding from your regular pay. Any balance of tax due on your tips will be shown in box 13 of Form W-2.

If you do not report your tips throughout the year, contact your employer. Your employer will collect the tax. You must include all of the tips you received, including unreported tips, in your gross income.

### Penalty for failure to report tips.



*If you do not report tips to your employer as required, you may be subject to a penalty equal to 50% of the employee social security or railroad retirement tax and Medicare tax, in addition to the tax that you owe.*

**Reasonable cause.** You can avoid this penalty if you can show reasonable cause for not reporting these tips to your employer. To do so, attach a statement to your return explaining why you did not report them.

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## Tip Allocation

Large food or beverage establishments are required to report certain additional information about tips to the IRS.

To make sure that employees are correctly reporting tips, employers must keep records to verify amounts reported by employees. Certain employers must allocate tips if the percentage of tips reported by employees falls below a required minimum percentage of gross sales. To “allocate tips” means to assign an additional amount as tips to each employee whose reported tips are below the required percentage.

### Who must follow the tip allocation rules.

The rules apply to operations in which:

- 1) Food or beverages are provided for consumption on the premises,
- 2) Tipping is customary, and
- 3) The employer normally employed more than 10 people on a typical business day during the preceding calendar year.

### To whom tip allocation rules do not apply.

Food or beverage operations where tipping is not customary do not come under the rules.

Examples of these operations are:

- 1) A cafeteria or “fast food” operation,
- 2) An operation that adds a service charge of 10% or more to 95% or more of its food or beverage sales, or
- 3) Food or beverage operations located outside the United States.

**How the rules work.** The rules apply only if the total amount of tips reported by all tipped employees to your employer is less than 8% (or some lower acceptable percentage) of the establishment’s total food or beverage sales (with some adjustments).

If reported tips total less than 8% of total sales, your employer must allocate the difference between 8% of total sales (or some lower acceptable percentage) and the amount of reported tips among all tipped employees. Your employer will exclude carryout sales, state and local taxes, and sales with a service charge of 10% or more when figuring total sales.

**Allocation to individual employees.** Generally, your employer will allocate to all affected employees their share of allocated tips every payroll period. However, your employer may do this less frequently. Your employer **should not withhold** any taxes from the allocated amount.

No allocation will be made to you if you report tips at least equal to your share of 8% of the establishment’s total food or beverage sales.

**Allocation formula.** The allocation can be done either under a formula agreed to by both the employer and the employees or, if they

cannot reach an agreement in good faith, under a formula prescribed by IRS regulations.

The allocation formula in the regulations provides that tip allocations are made only to directly-tipped employees. If you receive tips directly from customers, you are a directly-tipped employee, even if the tips are turned over to a tip pool. For example, waiters, waitresses, and bartenders are usually considered directly-tipped employees.

If you do not normally receive tips directly from customers, you are an indirectly-tipped employee. Examples of indirectly-tipped employees are busboys, service bartenders, and cooks. If you receive tips both directly and indirectly through tip splitting or tip pooling, you are treated as a directly-tipped employee.

**Lowering the tip allocation percentage.** If customers of the establishment tip less than 8% on the average, either your employer or a majority of the directly-tipped employees (including those who turn their tips over to a tip pool) may petition to have the allocation percentage reduced from 8%. This petition is made to the district director for the Internal Revenue Service district in which the establishment is located. However, the percentage cannot be reduced below 2%. Also, a user fee must be paid with the petition.

**User fee.** A user fee is required to have the IRS consider a petition to lower the tip allocation percentage. The fee must be paid by check or money order made out to the Internal Revenue Service. The user fee amount for 1996 was \$275. To check if this amount has changed, contact the district director for your area.

**Employees’ petition.** The petition to lower the allocation percentage must be in writing and must contain enough information to allow the district director to estimate with reasonable accuracy the establishment’s actual tip rate. This information might include the charged tip rate, type of establishment, menu prices, location, hours of operation, amount of self-service required, and whether the customer receives the check from the server or pays the server for the meal.

If the employer possesses any relevant information, the employer must provide it to the district director upon request of the employees or the district director.

An employee petition must be consented to by more than one-half of the directly-tipped employees working for the establishment at the time the petition is filed. If the petition covers more than one establishment, it must be consented to by more than one-half of the total number of directly-tipped employees of the covered establishments. The petition must state the total number of directly-tipped employees of the establishment (or establishments) and the number of directly-tipped employees consenting to the petition.

The petition may cover two or more establishments if the employees have made a good faith determination that the tip rates are essentially the same and if the establishments are:

- 1) Owned by the same employer,

- 2) Essentially the same type of business, and
- 3) In the same Internal Revenue Service region.

A petition that covers two or more establishments must include the names and locations of the establishments and must be sent to the district director for the district in which the greatest number of covered establishments are located. If there is an equal number of covered establishments in two or more districts, the employees can choose which district to petition.

Employees who file a petition must promptly notify their employer of the petition. The employer must then promptly furnish the district director with copies of any **Forms 8027, Employer's Annual Information Return of Tip Income and Allocated Tips**, filed for the establishment for the 3 immediately preceding calendar years.

**Allocated tips on Form W-2.** Your employer will report the amount of tips allocated to you on your Form W-2 (in box 8) separately from your wages and reported tips. Your employer bases withholding only on wages and reported tips. Your employer *should not withhold* income, social security, railroad retirement, or Medicare taxes from the allocated amount. Any incorrectly withheld taxes should be refunded to you by your employer.

If you leave your job before the end of the calendar year and request an early Form W-2, your employer does not have to include a tip allocation on the Form W-2. However, your employer may show the actual allocated amount if it is known, or show an estimated allocation. In January of the next year, your employer must provide Form W-2c, *Statement of Corrected Wage and Tax Amounts*, if the early Form W-2 showed no allocation and your employer later determined that an allocation was required, or if the estimated allocation shown was wrong by more than 5% of the actual allocation.

**Allocated tips you must report as income.** If you do not have adequate records for your actual tips, you must include the allocated tips shown on your Forms W-2 as additional tip income on your tax return. If you have records, do not include allocated tips on your return. Include additional tip income only if those records show you actually received more tips

than the amount you reported to your employer. For recordkeeping requirements, see *Daily Record of Tips*, earlier, under *Reporting Tips*.

Allocated tips have not been included in the amount of wages and reported tips shown in box 1 of your Forms W-2, and no taxes have been withheld from these tips.

**Example.** Judy reported \$4,000 tip income to her employer this year. Box 8 of this year's Form W-2 showed allocated tips of \$1,000. Her daily record of tips made on or near the date she received her tip income totaled \$6,000.

Judy must report an additional \$2,000 of tip income (\$6,000 total tips minus \$4,000 tips reported to employer) on her income tax return this year.

**Social security and Medicare tax.** For allocated tips that you include in gross income on line 7 of Form 1040, use **Form 4137** to figure your social security and Medicare tax on the tips not reported to your employer.

## Social Security and Medicare Tax on Unreported Tip Income (Form 4137)

Report on line 1 of Form 4137 *all* of the tips you received. This includes tips you reported to your employer, unreported tips, and allocated tips that you must report as income. Report on line 2 the amount of tips you reported to your employer and on line 4 the amount of tips you did not report because the total was less than \$20 in a calendar month. These amounts are subtracted from the amount on line 1. The balances on lines 9 and 5 are the unreported tips subject to social security and Medicare tax figured on Form 4137.



*Only include cash, check, and charge tips when completing Form 4137. The value of tips not paid in cash or by check or charge card is not counted as wages for social security and Medicare tax purposes.*

Be sure to complete Schedule U on the bottom of Form 4137. Schedule U is used by the Social Security Administration to credit your social security and Medicare accounts.

Attach Form 4137 to Form 1040. Enter the tax on line 47 of Form 1040. You may not use Form 1040EZ or Form 1040A.



*Do not include on line 47, Form 1040, any amount of uncollected social security tax and Medicare tax due on tips you **did** report to your employer. This amount, if any, is shown in box 13 on Form W-2. Instead, see Uncollected employee social security and Medicare tax on tips under Withholding on Tips by Employer for the method of paying these taxes.*

## How To Get More Information

You can get help from the IRS in several ways.

**Free publications and forms.** To order free publications and forms, call 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. Your local library or post office also may have the items you need.

For a list of free tax publications, order Publication 910, *Guide to Free Tax Services*. It also contains an index of tax topics and related publications and describes other free tax information services available from IRS, including tax education and assistance programs.

If you have access to a personal computer and modem, you also can get many forms and publications electronically. See *Quick and Easy Access to Tax Help and Forms* in your income tax package for details. If space permitted, this information is at the end of this publication.

**Tax questions.** You can call the IRS with your tax questions. Check your income tax package or telephone book for the local number, or you can call 1-800-829-1040.

**TTY/TDD equipment.** If you have access to TTY/TDD equipment, you can call 1-800-829-4059 to ask tax questions or to order forms and publications. See your income tax package for the hours of operation.

Table 1. Understanding Tip Income Reporting

	Will these tips be reported to you on Form W-2?	Does your employer withhold social security and Medicare tax on these tips? <sup>1</sup>	Should you file Form 4137 to figure your social security and Medicare tax on these tips?	Do you have to report these tips as income on your income tax return?
Tips you reported to your employer during the year	Yes (Box 1 of your W-2)	Yes	No	Yes
Allocated tips	Yes (Box 8 of your W-2)	No	Yes <sup>2,3</sup>	You must report <b>ALL</b> tip income
Tips of \$20 or more in a month that you did not report to your employer	No	No	Yes <sup>2,3</sup>	Yes
Tips of less than \$20 in a month that you did not report to your employer	No	No	No	Yes

<sup>1</sup> If you are a railroad employee the question would be, "Does your employer withhold railroad retirement and Medicare tax?"

<sup>2</sup> You may be subject to a penalty equal to 50% of the employee social security or railroad retirement tax and Medicare tax in addition to the tax that you owe.

<sup>3</sup> Railroad employees should not file Form 4137 and should contact their employer who will collect the employment taxes.

### Sample Filled-in Form 4070 from Publication 1244

Form <b>4070</b> (Rev. July 1996) Department of the Treasury Internal Revenue Service	<b>Employee's Report of Tips to Employer</b>	OMB No. 1545-0065
▶ For Paperwork Reduction Act Notice, see back of form.		
Employee's name and address <b>John W. Allen</b> <b>117 Maple Ave.</b> <b>Anytown, NY 14202</b>	Social security number <b>987:00:4321</b>	
Employer's name and address (include establishment name, if different) <b>Diamond Restaurant</b> <b>834 Main Street</b> <b>Anytown, NY 14203</b>	1 Cash tips received <b>1,024.00</b>	
	2 Credit card tips received <b>519.20</b>	
	3 Tips paid out <b>273.60</b>	
Month or shorter period in which tips were received from <b>October 1</b> , 19 <b>96</b> to <b>October 31</b> , 19 <b>96</b>	4 Net tips (lines 1 + 2 - 3) <b>1,269.60</b>	
Signature <b>John W. Allen</b>	Date <b>Nov. 6, 1996</b>	

## Sample Filled-in Form 4070A from Publication 1244

Form <b>4070A</b> (Rev. July 1998) Department of the Treasury Internal Revenue Service	<b>Employee's Daily Record of Tips</b> This is a voluntary form provided for your convenience. See instructions for records you must keep.	OMB No. 1545-0085
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Employee's name and address <b>John W. Aiken</b> <b>1117 Maple Ave.</b> <b>Anytown, NY 14202</b>	Employer's name <b>Diamond Restaurant</b> Establishment name (if different)	Month and year <b>Oct.</b> <b>1996</b>
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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
1	10/5	- OFF -			
2	10/9	48.80	26.40	15.20	Judy Brown
3	10/9	28.00	21.60	8.00	Carl Jones
4	10/9	42.00	24.00	10.00	Judy Brown
5	10/7	40.80	28.00	12.00	Judy Brown + Brian Smith
<b>Subtotals</b>		<b>159.60</b>	<b>100.00</b>	<b>45.20</b>	

For Paperwork Reduction Act Notice, see Instructions on the back of Form 4070.

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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
6	10/7	- OFF -			
7	10/8	37.20	22.40	8.00	Carl Jones
8	10/9	50.80	17.20	10.00	Judy Brown + Carl Jones
9	10/8	33.60	16.40	8.00	Judy Brown
10	10/11	30.40	22.00	9.20	Judy Brown
11	10/11	42.00	11.60	8.80	Carl Jones
12	10/14	35.60	16.00	7.60	Judy Brown
13	10/14	- OFF -			
14	10/14	49.40	14.40	12.40	Judy Brown + Brian Smith
15	10/6	45.20	32.00	17.20	Brian Smith
<b>Subtotals</b>		<b>323.20</b>	<b>152.00</b>	<b>81.20</b>	

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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
16	10/6	41.20	18.40	8.80	Judy Brown
17	10/8	39.20	21.20	9.60	Judy Brown
18	10/8	46.80	12.80	8.40	Carl Jones
19	10/11	34.00	19.20	10.00	Judy Brown
20	10/21	- OFF -			
21	10/22	34.80	26.00	12.80	Judy Brown + Brian Smith
22	10/24	42.40	22.80	12.40	Carl Jones
23	10/24	48.80	17.20	13.60	Judy Brown
24	10/25	33.60	19.20	10.80	Brian Smith
25	10/26	37.20	14.80	9.20	Judy Brown
<b>Subtotals</b>		<b>358.00</b>	<b>171.60</b>	<b>95.60</b>	

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Date tips rec'd	Date of entry	a. Tips received directly from customers and other employees	b. Credit card tips received	c. Tips paid out to other employees	d. Names of employees to whom you paid tips
26	10/26	31.60	11.60	12.40	Judy Brown
27	10/27	- OFF -			
28	10/28	43.20	14.00	12.80	Carl Jones
29	10/20	34.80	22.40	7.20	Carl Jones
30	10/31	46.00	27.20	12.80	Judy Brown + Brian Smith
31	11/2	27.60	20.40	6.40	Judy Brown
<b>Subtotals from pages 1, 2, and 3</b>		<b>159.60</b>	<b>100.00</b>	<b>45.20</b>	
<b>Totals</b>		<b>1,024.00</b>	<b>519.20</b>	<b>273.60</b>	

1. Report total cash tips (col. a) on Form 4070, line 1.
2. Report total credit card tips (col. b) on Form 4070, line 2.
3. Report total tips paid out (col. c) on Form 4070, line 3.

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