



Quick Cheat Sheet

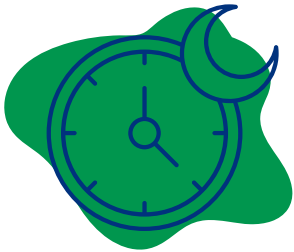
New Tax Bill Deduction

(2025-2028)



Tip Income Deduction

- Deduct up to \$25,000 of qualified tips per year
- Phases out if income > \$150K (single) or \$300K (joint)
- Covers cash tips, card tips, and tip-sharing
- Applies to jobs where tips are "customary" — even plumbers, electricians, HVAC techs, digital creators, movers
- Not eligible: healthcare, law, accounting, financial services, investment management



Overtime Income Deduction

- Deduct up to \$12,500 per year (single) or \$25,000 (joint)
- Same income phase-out levels: \$150K / \$300K
- Only covers the extra half-pay ("time-and-a-half") under federal law
- Doesn't count: state-required overtime, union contract premiums, or tip income



Payroll & Reporting

- These are deductions (not "tax-free income") → payroll taxes still apply
- State & local taxes may still fully tax tips and overtime
- Employers must track and report qualified amounts correctly
- Tips reported on W-2, 1099-NEC; overtime on W-2 or similar
- IRS won't update forms until 2026 → start tracking now



Takeaway for Small Business Owners

- These are deductions (not "tax-free income") → payroll taxes still apply
- State & local taxes may still fully tax tips and overtime
- Employers must track and report qualified amounts correctly
- Tips reported on W-2, 1099-NEC; overtime on W-2 or similar
- IRS won't update forms until 2026 → start tracking now