

TIPS DEDUCTION UPDATE

New Tax Break for Tipped Workers (2025-2028)



WHAT'S NEW?

If you earn tips at work, you may now deduct up to \$25,000 of those tips on your federal tax return.



WHO QUALIFIES?

Single filers: Income under \$150,000
Married filing jointly: Income under \$300,000
Deduction phases out gradually above these limits



HOW IT WORKS

- You must report your tips to your employer (as usual)
- The IRS will allow you to deduct the reported tip income—up to the limit
- Applies whether you itemize or take the standard deduction



WHAT OTHER TAX CHANGES MIGHT HELP YOU

Overtime Deduction: Deduct the extra pay you earn for working overtime.

Car Loan Interest: Deduct interest paid on new car loans (up to \$10,000).

SALT Deduction Cap Raised: Deduct up to \$40,000 for state and local taxes if you itemize.



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