

Qualified tips must:

- **be cash or charged tips received in an occupation that customarily and regularly received tips** before 12/31/2024. (See proposed list of occupations per Treasury).
- be voluntary, not negotiated or required in advance, and determined by the payor.
 - Mandatory service charges or automatic gratuities added by a business do not qualify.
- not from a trade or business that is a specified service trade or business (SSTB). SSTBs include fields of health, performing arts, athletics, law and accounting.

The deduction:

- is up to \$25,000 (per return).
- can be claimed by both itemizing and non-itemizing taxpayers.
- is not available for taxpayers who file Married Filing Separately (MFS).
- is subject to a MAGI phase-out starting at \$150,000 (\$300,000 MFJ).

For 2025, employers and payors are not required to separately report or account for qualified tips on the Form W-2, 1099-NEC, 1099-MISC, or 1099-K that is provided (however, employers/payors may provide this information in a statement or box 14b on the W2). See [Notice 2025-69](#) for more guidance.