Treasury, IRS Publish List of Occupations Qualifying for No Tax on Tips

On April 13, 2026, the U.S. Department of the Treasury (Treasury) and IRS issued final regulations on the "No Tax on Tips" provision enacted under the One Big Beautiful Bill Act (OBBBA). The final regulations are effective on **June 12, 2026**.

Background

On July 4, 2025, President Donald Trump signed a tax and spending bill, commonly referred to as the OBBBA, into law. Among other provisions, the OBBBA allows certain workers an above-the-line deduction for "qualified tips" and "qualified overtime compensation" for taxable years beginning after Dec. 31, 2024, and ending for taxable years beginning after Dec. 31, 2028. Individuals must earn $150,000 or less ($300,000 if married filing jointly) in 2025 to be eligible for the tip deduction. The maximum deduction for tip income is capped at $25,000 per year, and the deduction applies only to cash tips, which include tips that are charged and tips received under a tip-sharing agreement.

Key Highlights

List of Occupations That Receive Tips

The final regulations list more than 70 occupations of tipped workers that may qualify for the deduction. Qualifying occupations fall into one of the following eight categories, classified by the Treasury Tipped Occupation Code system:

- 100s—Beverage and food services;
- 200s—Entertainment and events;
- 300s—Hospitality and guest services;
- 400s—Home services;
- 500s—Personal Services;
- 600s—Personal appearance and wellness;
- 700s—Recreation and instruction; and
- 800s—Transportation and delivery.

The final regulations expand the list to include visual artists and floral designers in the personal services category and add gas pump attendants in the transportation and delivery category.

Qualified Tips Definition

A worker may only claim the deduction for qualified tips. To be a qualified tip, the tip must be received by a worker in an occupation on the List of Occupations That Receive Tips. The final regulations clarify that qualified tips must satisfy certain requirements, including the following:

HIGHLIGHTS

- On April 10, 2026, the Treasury and IRS issued final regulations on the "No Tax on Tips" provisions under the OBBBA.
- On June 12, 2026, the final regulations take effect.
- The final regulations list more than 70 occupations of tipped workers that may qualify for the deduction.

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- Qualified tips must be paid in cash or an equivalent medium, such as a check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash, or another form of electronic settlement or mobile payment application denominated in cash;
- Qualified tips must be received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement, such as a tip pool; and
- Qualified tips must be paid voluntarily by the customer and not be subject to negotiation. Qualified tips do not include service charges unless the customer has the option to disregard or modify the service charge. For instance, in the case of a restaurant that imposes an automatic 18% service charge for large parties and distributes that amount to waiters, bussers and kitchen staff, if the charge is added with no option for the customer to disregard or modify it, the amounts distributed to the workers from this service charge are not qualified tips.

Importantly, workers can take the deduction only for qualified tips that are included on Form W-2, Form 1099-NEC, Form 1099-MISC, Form 1099-K or reported by the worker on Form 4137. Gig workers and other self-employed individuals can qualify for this deduction if their occupation is on the List of Occupations That Receive Tips and the other statutory and regulatory requirements are met.

The regulations limit the deduction for self-employed individuals to the individual's net income.

Employer Takeaway

Employers should review their payroll systems to ensure they accurately track and report qualifying tips and overtime compensation on employees' Forms W-2.