



2025 Tax Year Update: Reporting Tips Under the OBBBA

As part of the One Big Beautiful Bill Act (OBBBA), employees in qualified positions may be eligible for a tax deduction if they receive qualified tips. To meet the new requirements, employers must ensure accurate reporting of employee tips on Form W-2. For 2025, the IRS has clarified that employers must communicate to employees their occupation code, and that employees can use Box 7 on the W-2 for tax filing for 2025. To help you stay compliant, please review the important reminders below regarding how tips should be reported.

Key Reminders

1. Understand what the IRS considers Qualified Tips

- Cash tips directly from customers
- Tips from customers left through electronic payments (e.g., charge card, gift card)
- Tips earned through tip pools, splitting or other formal or informal tip sharing arrangements
- Must be **voluntary**, cannot be negotiated, and are determined by the payor/customer
- Amounts that may be shared with employees, but are not optional for the customer to pay, are **NOT** qualified tips. Examples include: automatic gratuity, event fees and service charges

2. Review Your Current Tip Reporting Setup

If you currently have Non-Qualified Tips reported in the Tips field (W-2, Box 7) instead of through the appropriate earning codes, please reach out to your Client Service Rep (CSR). We will assist you with moving these amounts to the correct earning codes to ensure proper reporting.



3. Communicate Employees' Qualified Occupations and Codes

OBBA requires employers to notify employees of their designated Qualified Occupation and applicable Code.

Please ensure you communicate this information directly to employees using your standard communication method (e.g., email, paystub message, policy update or handbook).

A detailed list of qualified tipped occupations can be found here: <https://home.treasury.gov/system/files/136/Tipped-Occupations-Detailed-8-27-2025.pdf>

If you have any questions or need assistance updating your earning codes or reviewing your tip classifications, please contact your CSR. We are here to help ensure accuracy and compliance with these new requirements.