



UNITED STATES SENATE COMMITTEE ON FINANCE

WORKING FAMILIES TAX CUTS

NEW AND IMMEDIATE TAX RELIEF FOR TIPPED WORKERS

On July 4, 2025, President Trump signed the **Working Families Tax Cuts** into law. This legislation not only prevented the largest tax hike in history, but it also restored and made permanent critical pro-growth tax provisions that are already increasing domestic investment and boosting economic growth. Moreover, through policies like **no taxes on tips** and overtime, and new tax relief for working families and seniors, low- and middle-income Americans are the biggest winners under this bill.

No tax on tips for millions of tipped workers. Beginning in 2025, a new deduction of up to \$25,000 for qualified tips for millions of tipped workers like waitresses, barbers, hairstylists and taxi drivers. The deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

Workers in occupations that customarily and regularly receive tips are eligible to claim the deduction. Occupations that receive qualified tips include beverage and food services, entertainment and events, hospitality and guest services, home services, personal services, personal appearance and wellness, recreation and instruction, and transportation and delivery.

The deduction is available for workers whether they itemize or claim the standard deduction. The Working Families Tax Cuts also increased the standard deduction, which about 90 percent of taxpayers claim.

Qualified tips must be paid voluntarily by the customer and not subject to negotiation.

How the new deduction works for eligible taxpayers:

- Ann is a restaurant server who earned \$15,000 from tips last year. Ann may use \$15,000 in determining the amount of her qualified tips for tax year 2025.
- Bob is a delivery worker who earned \$30,000 from tips last year. Bob may use \$25,000 (the maximum deductible amount) in determining the amount of his qualified tips for tax year 2025.

*"That's why I am so thankful for the new \$25,000 above-the-line tax deduction for tips – better known as 'No Tax on Tips.' It's a gamechanger for us. This policy will let hardworking service professionals in Nevada like me **keep more of what we earn**. We are working class people. We have mortgages and families. There are everyday bills and college educations to save for... When service professionals have more take-home pay based on tips from their customers, we also spend it locally... **That tip money isn't trivial – it's a lifeline for our families** and our community as a whole."*

– Patrick W., restaurant waiter

The Working Family Tax Cuts' new, immediate tax relief overwhelmingly benefits the working class. According to a [distributional analysis](#) from the nonpartisan Joint Committee on Taxation (JCT)—which previously estimated the tax bill provides more than [\\$600 billion](#) in new tax relief to middle-class households—the largest proportional tax benefits go to workers and families making less than \$50,000.