Employee Responsibilities for 2025 — OBBBA Tip and Overtime Deductions

Keep Accurate Tip Records (Starting January 1, 2025)

To qualify for the new Tip Deduction (up to $25,000), keep records of all voluntary tips. These must be voluntary (customer decided the amount), reported to your employer, and documented with dates and totals. Keep a daily log with date, shift, total voluntary tips, and payment type (cash, card, Venmo, etc.).

Save Every Paystub

Keep every paystub for 2025—digital or printed. They show your reported tips, overtime, and wages. Do not rely on your employer to store them long-term.

Track Overtime Premiums

The deduction includes qualified overtime premiums—the extra half in time-and-a-half pay. Example: If you earn $20/hr and $30/hr for overtime, only $10/hr qualifies. Track these totals.

Ask Payroll for Details

Ask your employer or payroll provider if your paystubs or year-end statement will list voluntary tips and overtime separately. This helps verify your deduction.

Keep Everything Until 2028

Keep all paystubs, tip logs, and summaries through 2028. These protect you if the IRS requests proof.

Understand What is Not Deductible

Automatic gratuities (like 18% on large tables), service charges, and wages paid to reach minimum wage do not qualify. Only voluntary tips and overtime premiums count.

Summary

For 2025, record voluntary tips daily, save every paystub, track overtime premiums, keep records through 2028, and ask for a year-end summary. These steps make claiming your deduction easy and keep you audit-ready.

Best,
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