



- Home services (landscapers, plumbers, handymen, etc.)
- Personal services (personal care and service workers, private event planners, wedding photographers and videographers, etc.)
- Personal appearance and wellness (estheticians, masseuses, tattoo artists, etc.)
- Recreation and instruction (golf caddies, piano teachers, ski instructors, etc.)
- Transportation and delivery (valet parkers, pizza delivery drivers, furniture moves, rideshare drivers, etc.)

For more information, see [Treasury, IRS issue guidance listing occupations where workers customarily and regularly receive tips under the One, Big, Beautiful Bill](#).

Note that this is \$25,000 per return, not per taxpayer. So, if you're married filing jointly (MFJ), and you collectively receive tip income more than \$25,000, you can only deduct up to \$25,000.

**Be Careful:** Though the phrase “no tax on tips” sounds like a full exemption, it is actually a deduction, not an income exclusion. You won't owe federal income tax on the amount of tip income you deduct, but you are required to pay Social Security and Medicare taxes on that income. You may also be required to pay state and local taxes on that income.

Reporting is really important here: Your W 2s, 1099s, or Form 4137 must clearly identify tip amounts and the profession that generated the tip income you received. And here's something else you need to know: 2025 forms and withholding tables won't be updated, but the IRS will issue transitional guidance for what “reasonable” reporting looks like.

If you're self-employed in a profession in which tipping is the norm, you're eligible for this tax break, too! However, we're waiting for Internal Revenue Service (IRS) specifics on how to report tip income via Schedule C.

In any event, you need to be aware of these three limits:

- **Adjusted Gross Income (AGI) phase out:** The “no tax on tips” deduction shrinks by \$100 for every \$1,000 you earn over \$150,000 (single) or \$300,000 (married filing jointly). It disappears entirely at \$400,000 (single) or \$550,000 (MFJ).
- **SSN requirement:** You must have a valid Social Security Number (SSN) by your tax return's due date.
- **Self-employed limitation:** Deductions can't exceed your business's net income after other deductions. For example, suppose your fledgling auto detailing business brings in \$100,000, including \$20,000 in tips, but your expenses are \$85,000. That means your net business income is \$15,000, so the maximum amount you can deduct as tip income is \$15,000. You can't deduct the \$20k!

### **Deduct Overtime Pay (Max \$12,500 or \$25,000 MFJ)**

If you earn overtime pay, you can deduct up to \$12,500 of your overtime income if you're single, or up to \$25,000 if you're married and file jointly.

### Important details:

- Applies only to the *extra* pay (the “half” in “time and a half”) for hours beyond the typical 40-hour work week.
- Overtime pay must be reported separately on W 2 or similar, though for 2025, the IRS allows a “reasonable” workaround until the official forms update.

### Red flags to keep in mind:

- **AGI phase out:** The “no tax on overtime” deduction shrinks by \$100 deduction per \$1,000 above \$150,000 AGI (\$300,000 MFJ) and disappears when AGI reaches \$275,000 (single) or \$550,000 (MFJ). Note that these figures for overtime are both similar and slightly different from the “no tax on tips” figures above.
- **Single or MFJ only:** Married taxpayers must file jointly to claim this deduction; it’s not applicable for those who are married and choose to file separately.
- **No double-dipping:** If you claim the deduction for overtime pay, you’re prohibited from also claiming a deduction for tip income.
- **SSN:** A valid Social Security Number is required.
- **Employer reporting:** Employers must separately note overtime on tax forms. Until 2026, they may use “reasonable” methods for this distinction.

## Deduct Auto Loan Interest (Up to \$10,000)

H.R.1 gives you a shot at deducting up to \$10,000 in interest on auto loans, if the vehicle qualifies.

To qualify, the auto loan must meet the following conditions:

- Must be a new loan taken after December 31, 2024, for a passenger vehicle assembled in the United States.
- The vehicle must be for personal use (not business or lease), and you must include a valid vehicle identification number (VIN) on your return. (*Note: You can use the window sticker or VIN (decoded via NHTSA website at [www.nhtsa.gov](http://www.nhtsa.gov)) to verify U.S. assembly.*)
- Refinancing the original acquisition loan is allowed but not for used vehicles, fleet vehicles, salvage titles, or related-party loans.

**Deduction Shrinkage:** Note that the deduction shrinks by \$200 per \$1,000 of Adjusted Gross Income (AGI) over \$100,000 (or \$200,000 Married Filing Jointly), phasing out completely at \$150,000 (single) or \$250,000 (MFJ). No SSN is required.

Lenders have new reporting duties too, similar to issuing mortgage interest statements for home loans. If you pay at least \$600 in qualifying vehicle interest, expect a new form (yet to be numbered/defined by IRS) next tax filing season.

### 2025 Forms and Withholding Are Unchanged for Now

From what we're being told, the IRS won't revise 2025 W-2s, 1099s, Form 941, or withholding tables to reflect H.R.1 changes. Existing forms and reporting procedures remain in effect. Still, the IRS promises more guidance soon, and updates will arrive before the 2026 tax season.

### What You Should Do Now

April 15, 2026 may seem like a long time off, but it is a tax deadline that has a way of creeping up in a hurry. Be prepared by taking the following steps now:

1. **Track tip and overtime income carefully.** Consult with your employer to make sure that your tip and overtime income are clearly designated on your paychecks and tax forms.
2. **Auto Buyers:** If you're buying a qualifying new passenger vehicle, save all documentation (e.g., *purchase contract, VIN, assembly verification*) to support your auto loan interest deduction.
3. **Watch for IRS updates** regarding the following:
  - Transitional reporting methods for 2025
  - New auto interest forms in 2026
4. **Lean on Us:** Consider working with a tax professional like the ones at SWC to make sure you're set up to claim all the deductions you qualify for.

Here at [SWC](#), we're committed to helping our clients minimize their tax burden while maximizing their wealth. The two go hand in hand. We will continue to monitor and report on changes to the tax code and provide insight into how you, as a taxpayer, can reduce your tax burden.

For now, stay tuned and prepare well in advance of tax season. Preparation results in saving money and gives you peace of mind, knowing that you're getting the tax breaks you deserve, and that you're in compliance with all federal, state, and local tax laws and regulations.

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