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Internal Revenue Code Section 224(c)

Qualified tips

(a) In general.

There shall be allowed as a deduction an amount equal to the qualified tips received during the taxable year that are included on statements furnished to the individual pursuant to section 6041(d)(3) , 6041A(e)(3) , 6050W(f)(2) , or 6051(a)(18) , or reported by the taxpayer on Form 4137 (or successor).

(b) Limitation.

(1) In general.

The amount allowed as a deduction under this section for any taxable year shall not exceed \$25,000.

(2) Limitation based on adjusted gross income.

(A) In general. The amount allowable as a deduction under subsection (a) (after application of paragraph (1)) shall be reduced (but not below zero) by \$100 for each \$1,000 by which the taxpayer's modified adjusted gross income exceeds \$150,000 (\$300,000 in the case of a joint return).

(B) Modified adjusted gross income. For purposes of this paragraph, the term "modified adjusted gross income" means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911 , 931 , or 933 .



(c) Tips received in course of trade or business.

In the case of qualified tips received by an individual during any taxable year in the course of a trade or business (other than the trade or business of performing services as an employee) of such individual, such qualified tips shall be taken into account under subsection (a) only to the extent that the gross income for the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of the deductions (other than the deduction allowed under this section) allocable to the trade or business in which such qualified tips are received by the individual for such taxable year.

(d) Qualified tips.

For purposes of this section-

(1) In general.

The term "qualified tips" means cash tips received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary.

(2) Exclusions.

Such term shall not include any amount received by an individual unless-

(A) such amount is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor,

(B) the trade or business in the course of which the individual receives such amount is not a specified service trade or business (as defined in section 199A(d)(2)), and

(C) such other requirements as may be established by the Secretary in regulations or other guidance are satisfied.

For purposes of subparagraph (B), in the case of an individual receiving tips in the trade or business of performing services as an employee, such individual shall be treated as receiving tips in the course of a trade or business which is a specified service trade or business if the trade or business of the employer is a specified service trade or business.

(3) Cash tips.

For purposes of paragraph (1), the term "cash tips" includes tips received from customers that are paid in cash or charged and, in the case of an employee, tips received under any tip-sharing arrangement.

(e) Social security number required.

(1) In general.

No deduction shall be allowed under this section unless the taxpayer includes on the return of tax for the taxable year such individual's social security number.

(2) Social security number defined.

For purposes of paragraph (1), the term "social security number" shall have the meaning given such term in section 24(h)(7) .

(f) Married individuals.

If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

(g) Regulations.

The Secretary shall prescribe such regulations or other guidance as may be necessary to prevent reclassification of income as qualified tips, including regulations or other guidance to prevent abuse of the deduction allowed by this section.

(h) Termination.

No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.