



THE LODGING, RESTAURANT, RESORT
AND CAMPGROUND ASSOCIATION

MYTHS VS. FACTS

WHAT DOES NO TAX ON TIPS MEAN?

Currently proposed federal legislation would establish a tax credit with eligible tips being subtracted from reported income.

37,000+ waiters and waitresses in Minnesota could be eligible. [[US BLS](#)] Average tax cut would be close to \$1,800. [[Urban-Brookings Tax Policy Center](#)]

✗MYTH: Tips no longer need to be reported to the IRS

✓FACT: Only tips reported to the employer and on their W-2's would qualify for the tax credit. Payroll tax will still be collected along with state/local. [[PBS](#)]

✗MYTH: No matter your income, you can claim the tax credit

✓FACT: Only those making less than \$160k a year can claim the tax credit. [[PBS](#)]

✗MYTH: There are few limitations on accepting the tax credit.

✓FACT: Claimants and spouses must have a social security number (House Bill not Senate Bill). Tips claimed must have come from the job traditionally associated with receiving tips such as certain types of occupations. [[Desert Sun](#)]

✗MYTH: All tips are counted towards the tax credit

✓FACT: Only cash tips apply including bills/coins, credit or debit, or via electronic payment systems. Noncash items would not be included. [[Desert Sun](#)]

✗MYTH: Only restaurant staff can claim the tax credit

✓FACT: Any job which traditionally received tips may qualify. The administration will list all qualifying occupations within 90 days of the bill signing. [[PBS](#)]





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✗MYTH: A new tax credit will impact the tipped minimum wage

✓FACT: Federal and state minimum wages are unchanged. Tipped worker wages are also unchanged. [[NYT](#)]

✗MYTH: Back of house employees are now eligible for tips

✓FACT: Federal regulations are untouched which prevent back of house employees from receiving tips unless they participate in a legal tip pool. [[NYT](#)]

✗MYTH: The 45B Tax Credit will be impacted by this change

✓FACT: While the new legislation expands this tax credit to a few non-hospitality businesses, the 45B Tax credit remains the same for restaurants. [[NYT](#)]

✗MYTH: No Tax on Tips will be instituted long-term

✓FACT: This is a short-term tax break. The provisions would take hold in 2025 but expires in 2028 unless reinstituted. [[CBS](#)]

✗MYTH: All tipped workers will benefit from this provision

✓FACT: Tipped workers making below \$32k a year pay little to no federal taxes. Tipped workers making more than \$60k will benefit most from this tax break. [[Urban-Brookings Tax Policy Center](#)]

