

QUALIFIED TIPS & OVERTIME TAX WITHHOLDING



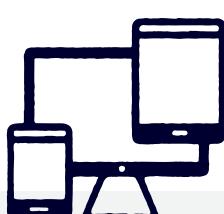
Why are my tips and overtime still being taxed?

- The One Big Beautiful Bill Act created tax deductions for qualified overtime and tips for tax years 2025-2028.
- Withholding still applies because the law did not exclude these earnings from withholding.

Can I adjust my federal tax withholding?

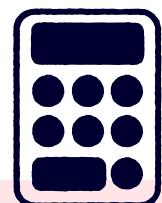


- Yes, starting in 2026, use Form W-4 to reduce withholding based on expected qualified tips and overtime deductions.
- This means more take-home pay during the year, but a smaller refund or taxes due at filing.



What are qualified overtime and qualified tips?

- **Qualified overtime:** Overtime required by the Fair Labor Standards Act (FLSA). Only the premium portion qualifies.
- **Qualified tips:** Cash tips voluntarily received in tipped occupations before Dec. 31, 2024, including cash, charged tips and tip sharing.

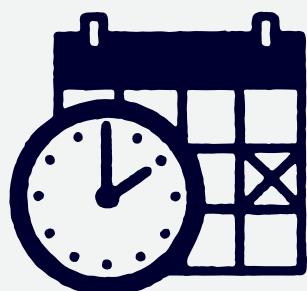


How to adjust your withholding

- Use Worksheet 4(b) on Form W-4 (updated for 2026).
- Use prior-year deductions or employer estimates for 2025 qualified tips and overtime.
- The IRS encourages employers to provide approximate amounts.

Important deadlines and notes

- There is no mandatory deadline to submit an updated Form W-4
- Employers must implement an employee's new W-4 within 30 days of receipt.
- Changes affect current and future withholding, not prior years.
- For 2025, taxes were withheld normally; deductions apply **when filing a 2025 return in 2026.**



Helpful resources

- Subscribe to SPARK's [Eye on Washington newsletter](#) for updates
- [IRS guidance](#)

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