

Four Tax Tips Regarding Tip Income

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If your pay from work involves compensation through tips, then the IRS would like you to be aware of a few facts about tip income. Here are four key points to keep in mind:

1. Tips are taxable Tips are subject to federal income, Social Security and Medicare taxes. The value of non-cash tips, such as tickets, passes or other items of value, is also considered income and subject to tax.

2. Include tips on your tax return You must include in gross income all cash tips you receive directly from customers, tips added to credit cards, and your share of any tips you receive under a tip-splitting arrangement with fellow employees.

3. Report tips to your employer If you receive \$20 or more in tips in any one month, you should report all of your tips to your employer. Your employer is required to withhold federal income, Social Security and Medicare taxes.

4. Keep a running daily log of your tip income. You can use IRS Publication 1244, Employee's Daily Record of Tips and Report to Employer, to record your tip income.

For more information see IRS Publication 531, Reporting Tip Income, and Publication 1244 which are available at www.irs.gov. Both can be ordered by calling 800-TAX-FORM (800-829-3676).