

KEY EXPENSES

TAX DEDUCTIONS FOR RESTAURANT SERVICE STAFF

KEEPING A GOOD TIP RECORD:

If you are a waiter or waitress, the IRS requires you to keep a record of your tips. The record needs to include tips you receive from:

- your customers in cash;
- other tipped employees because of a “tip-sharing” arrangement; and
- your customers who pay by credit card.

When you receive a tip but pay part of it to someone else (for example, a bartender), you should note the name of that person in your tip record along with the amount you paid him/her. You should keep your record updated on a day-to-day basis to make sure of its accuracy.

REPORTING TIPS TO YOUR EMPLOYER:

In order to comply with IRS rules, you need to let your employer know the total amount of tips you receive. This reporting should be done in writing within the 10-day period following the end of the month in which you receive the tips (sometimes the due date is extended a day or so if the last day of the 10-day period is on a weekend or legal holiday).

Once you make the report to your employer, he/she adds the amount to your regular wages and uses the total to figure how much income tax, Social Security tax and Medicare tax to withhold from your regular paycheck.

TIPS NOT REPORTED TO YOUR EMPLOYER:

Special rules apply to tips you received but didn't, for one reason or another, report to your employer. If such tips total \$20 or more in any given month while working for one employer, you will need to figure your own Social Security and Medicare taxes for them. These taxes are computed and paid with your tax return. Keep in mind that the IRS can also charge a penalty for tips that aren't reported to an employer.

KEEPING TIP RECORDS:

According to the rules, your tip records need to clearly establish the tips you received. That's why a timely, day-to-day record is so important. The form on the reverse side of this flyer contains all the information you will need and has room for an entire month's entries. You may make as many copies of the form as you need so that you will have a permanent record of your tips for the entire year.

EMPLOYEE'S NAME:

ADDRESS:

EMPLOYER'S NAME:

ESTABLISHMENT NAME (IF DIFFERENT):

MONTH & YEAR:

IMPORTANT – For Federal purposes, the expenses included in this brochure are no longer deductible after 2017 and generally through 2025 as a result of tax reform (TCJA). However, not all states conformed to TCJA and these items may still be deductible on your state tax return.



Occupational Series



INTRODUCTION

Adequate tip records are a must for employees who receive tips, especially restaurant service staff who work in “large food and beverage establishments” (i.e., food service operations with 10 or more tipped employees). These establishments often assign tips to employees, based on a percentage of the employees’ sales and the amount of tips each employee has reported to the establishment. These are called “allocated tips” and employers must report them to the IRS. If the IRS questions the employee’s tips, it’s up to the tipped employee to show, through good records, that the allocated tip amount is in error.

The form below contains all the information the government requires for tip recordkeeping. Since it accommodates entries for one month only, it is recommended that copies be made for use in a permanent tip record.

Date Tips Rec'd	Date of Entry	Tips Received Directly from Customers and other Employees	Credit Card Tips Received	Tips Paid Out to Other Employees	Names of Employees to Whom You Paid Tips
1					
2					
3					
4					
5					
6					
7					
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TOTALS					