

Tip Income

If you work at a hair salon, barbershop, casino, golf course, hotel or restaurant or drive a taxicab, you probably receive some of your income in the form of tips. The tip income you receive as an employee from those and other similar services is taxable income.

Here are some tips about tips:

- **Tips are taxable.** Tips are subject to federal income, Social Security and Medicare taxes, and may be subject to state income tax as well. The value of non-cash tips, such as tickets, passes or other items of value, is also income and subject to federal income tax.
- **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.
- **Report tips to your employer.** If you receive \$20 or more in tips in any one month, you should report all your tips to your employer. Your employer is required to withhold federal income, Social Security and Medicare taxes.
- **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 a free copy of Publication 1244, call the IRS toll free at 800-TAX-FORM (800-829-3676).

For more information, check out IRS Publication 531, Reporting Tip Income, or Publication 3148, Tips on Tips. They are available by calling 800-TAX-FORM (800-829-3676) or by going to the IRS Web site at IRS.gov.