

Key Deductions

KEEPING A GOOD TIP RECORD: If you are a waiter or waitress, IRS requires you to keep a record of your tips. The record needs to include tips you receive from:

- Σ your customers in cash.
- Σ other tipped employees because of a tip-sharing arrangement.
- Σ 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.

Deductions for
Waiters & Waitresses
Continued

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 this website contains all the information you will need and has room for an entire month's entries. You may also print copies of the form so that you will have permanent record of your tips for the entire year.