

## NEW FEDERAL TAX BREAK FOR TIPPED STYLISTS (2025–2028)

# TIPPED STYLISTS: READ THIS



### WHAT'S NEW:

## NO TAX ON TIPS

Congress created a new federal tax deduction for tipped workers.

- Available 2025–2028
- Retroactive to January 1, 2025
- Deduct up to \$25,000 in tips per year

### 2025 = TRANSITION YEAR

- Employers don't yet separate tips on W-2s
- You are still responsible for reporting

### STARTING 2026

- Tips will be separately reported on W-2s
- Reported tips drive your deduction

### WHO QUALIFIES:

You qualify if you—

- Work in a tipped profession
- Receive voluntary tips
- Report your tips

Qualifying beauty professionals include—

- Hairstylists & Barbers
- Nail Technicians
- Estheticians
- Massage & Spa Professionals



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### WHAT COUNTS AS A TIP:

Qualified tips must be—

- Voluntary
- Paid by cash, check, debit, or credit card
- NOT mandatory service charges

### WHY REPORTING MATTERS:

In the past, underreporting tips felt helpful.

**Now, reporting tips unlocks a major tax benefit.**

**Tips must appear on W-2, 1099, Form 4137 (if not reported to your employer)**

## BENEFITS OF REPORTING

### • HIGHER SOCIAL SECURITY & DISABILITY BENEFITS

When you report your tips, that income counts toward your future protection.

Reported tips help fund:

- Social Security retirement income
- Disability benefits if you're injured or unable to work
- Survivor benefits for your family

If tip income isn't reported, it doesn't count—no matter how hard you worked. Years of underreporting can mean smaller monthly checks, fewer protections, & lost benefits later in life.

**What you earn today should support you tomorrow.**

### • STRONGER LOAN & MORTGAGE APPLICATIONS

Lenders base approvals on reported income, not cash earned. Reporting tips can help you qualify for credit cards, car loans, mortgages, better interest rates, or future salon investments.

### • AVOID IRS ISSUES

The IRS closely monitors tip-heavy industries like salons. Reporting tips lowers audit risk and helps your tax return match industry expectations.

### • PROTECTS ACCESS TO EDUCATION

Accurate income reporting shows the true earning potential of salon professionals. This data helps protect financial aid, funding, and access to education for future students.

*If it's not reported, it doesn't protect you—or the industry.*

## HONEST REPORTING NOW = REAL FINANCIAL BENEFITS LATER

*This tax change finally works in your favor.*

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