



# NO TAX ON TIPS

## What It Means For App-Based Drivers and Couriers

The “One Big Beautiful Bill” passed by Congress and signed by President Trump on July 4, 2025, included a provision eliminating taxes on tips for millions of American workers. The Flex Association was proud to work with the U.S. House, Senate, and the White House throughout the legislative process to ensure that app-based drivers and couriers are eligible for this new tax benefit.

While the No Tax On Tips provision has been signed into law, the Treasury Department will issue final guidance around the details of the legislation by October 2nd, 2025. The major initiatives in the Act will remain the same, but Flex will continue to engage the Treasury Department on the smaller points and to ensure app-based drivers and couriers stay included in this policy. Flex will provide updated information in October once final guidance is issued.

**Please note that this page is informational only, and is not intended to provide tax advice. For information on how this new law applies to any specific tax situation, please consult with a tax professional.**

### ***When does this policy take effect?***

This takes effect for the 2025 tax year, and will apply for the 2026, 2027, and 2028 tax years.

### ***What does this new law do?***

This law allows tipped workers to deduct up to \$25,000 of their tips from their taxable income for tax years 2025, 2026, 2027, and 2028. The IRS will publish an official list of eligible occupations within 90 days of the July 4 bill signing.

### ***What type of tax break is this?***

This is an “above-the-line” tax deduction, which does not require itemizing.

### ***Does this mean I don’t have to pay taxes on the part of my income that comes from tips?***

For a large portion of it. For example, a taxpayer with a taxable income of \$75,000 making \$25,000 in tips will deduct that \$25,000 from their \$75,000, thus they would only pay taxes on \$50,000 of their income.

### ***How much can be deducted?***

A worker can deduct up to \$25,000 per year in tips from their taxable income.

### ***Is there an income cap?***

Yes. This deduction applies to individuals with taxable income under \$150,000 (\$300,000 for joint filers). These amounts will be indexed for inflation.

### ***Does this apply to the digital tips a worker earns through an app?***

Yes! While the deduction applies to “cash” tips, the IRS treats literal cash tips, credit card tips, and tips made through payment services and apps the same way.

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### ***How much will this save me?***

You can use the White House’s “[Tax-Free Tips Calculator](#)” to estimate your savings.

### ***Have independent contractors always been eligible?***

While the initial policy was set to only apply to traditionally-tipped employees, like waiters and hotel cleaners, Flex and its member companies engaged lawmakers in Congress to ensure that app-based, digital, and independent workers were included.

### ***How do I claim the new deduction?***

The IRS will publish guidance in the coming months, so stay tuned to the Flex Association website. In addition to a list of eligible tipped occupations, the IRS will amend 1099 forms ahead of the coming tax filing season to account for this new benefit.

### ***What is the process for determining who is included in this policy?***

The IRS and Treasury Department are now beginning the process of writing the rules that guide:

- Which jobs and positions are eligible.
- How tips must be reported.
- What counts as a qualified tip under the law.