Note: *The draft you are looking for begins on the next page.*

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms**. We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at IRS.gov/DraftForms and remain there after the final release is posted at IRS.gov/LatestForms. Also see IRS.gov/Forms.

Most forms and publications have a page on IRS.gov: IRS.gov/Form1040 for Form 1040; IRS.gov/Pub501 for Pub. 501; IRS.gov/W4 for Form W-4; and IRS.gov/ScheduleA for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at IRS.gov/FormsComments. Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click here.

TREASURY/IRS AND OMB USE ONLY DRAFT

2025

Instructions for Form 8027

Employer's Annual Information Return of Tip Income and Allocated Tips

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8027 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form8027*.

Reminders

- You must check either the "Yes" or "No" box under the employer's name and address to indicate whether or not the establishment accepts credit cards, debit cards, or other charges. If the "Yes" box is checked, lines 1 and 2 of Form 8027 **must** be completed, and you must enter an amount, even if zero, on lines 1 and 2. Also see the instructions for lines 1 and 2.
- You can complete the optional Worksheet for Determining if You Must File Form 8027 for Calendar Year 2025, later, to determine if you must file Form 8027.
- You may want to use the Employer's Optional Worksheet for Tipped Employees, later, as a means of determining if your employees are reporting all of their tip income to you.
- For information about the credit for employer social security and Medicare taxes paid on certain employee tips, see Form 8846. Also see section 6 of Pub. 15 for more information about tips.
- You can advise your employees to see Pub. 531 or use the IRS Interactive Tax Assistant at *IRS.gov/TipIncome* for help in determining if their tip income is taxable and for information about how to report tip income.

Electronic filing. If you're required to file 10 or more information returns during the year, you must file the forms electronically. Information returns are filed electronically through the Filing Information Returns Electronically (FIRE) system. Go to *IRS.gov/FIRE* for more information. See Pub. 1239 for more information about filing Form 8027 electronically. We encourage you to file electronically even if you're not required to file 10 or more information returns.

Recordkeeping. You must keep records to substantiate any information returns, employer statements to employees, or tip allocations. The records must be kept for 3 years after the due date of the return or statement to which they relate.

Certified professional employer organizations (CPEOs). The Stephen Beck, Jr., ABLE Act of 2014 required the IRS to establish a voluntary certification program for professional employer organizations (PEOs). PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, CPEOs must meet various requirements described in sections 3511 and 7705 and related published guidance. A CPEO is generally treated for employment tax purposes as the employer of any individual who performs services for a customer of the CPEO and is covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO.

For purposes of Form 8027, the customer for whom a work site employee performs services (that is, the employer who operates a large food or beverage establishment) is considered the employer and must file Form 8027. The CPEO must furnish to the customer any information necessary to complete this form.

For more information about CPEOs, go to *IRS.gov/CPEO*. Also see Rev. Proc. 2023-18, 2023-13 I.R.B. 605, available at *IRS.gov/irb/2023-13_IRB#REV-PROC-2023-18*.

General Instructions

Purpose of Form

Employers must annually report to the IRS receipts and tips from their large food or beverage establishments. Employers use Form 8027 to report that information. In addition, employers use Form 8027 to determine allocated tips for tipped employees.

These instructions give you some background information about Form 8027. They tell you who must file Form 8027, when and where to file it, and how to fill it out line by line.

Tip: All employees receiving $20 or more a month in cash tips must report 100% of their tips to you in a written report. Cash tips include tips paid by cash, check, debit card, and credit card. The report should include tips you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement.

Who Must File

You must file Form 8027 if you're an employer who operates a large food or beverage establishment.

A large food or beverage establishment is a food or beverage operation:

- That is located in the 50 states or in the District of Columbia,
- Where tipping of food or beverage employees by customers is customary, and
- Whose employer normally employed more than 10 employees on a typical business day during the preceding

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calendar year. We call this the 10-employee test. To determine if you meet the 10-employee test, see Worksheet for Determining if You Must File Form 8027 for Calendar Year 2025, later.

Food or beverage operation. A food or beverage operation is any business activity that provides food or beverages for consumption on the premises, other than fast-food operations. An operation is a fast-food operation only if its customers order, pick up, and pay for food or beverages at a counter or window and then carry the food or beverages to another location (either on or off the premises). Some people call food or beverage operations venues, stores, rooms, outlets, or cost centers.

If you provide food or beverages at more than one location, the activity at each separate location is considered a separate food or beverage operation and a separate Form 8027 is filed for each location. You could also have more than one food or beverage operation within a single building. Each activity conducted within a single building is treated as a separate location if the customers of the activity, while being provided with food or beverages, occupy an area separate from that occupied by customers of other activities and the gross receipts from the activity are recorded separately. For example, a gourmet restaurant, a coffee shop, and a cocktail lounge in a hotel would each be treated as a separate food or beverage operation if gross receipts from each activity are recorded separately. In addition, an employer may treat different activities conducted in the identical place at different times as separate food or beverage operations if the gross receipts of the activities at each time are recorded separately. For example, a restaurant may record the gross receipts from its cafeteria-style lunch operation separately from the gross receipts of its full-service food or beverage operations.

Tipping of food or beverage employees by customers is customary. Generally, tipping isn't considered customary in a cafeteria-style operation or if at least 95% of total sales (other than carryout) had a service charge of 10% or more. See Regulations section 31.6053-3(j)(7) and (18) for more information. If tipping isn't considered customary, the food or beverage operation isn't a large food or beverage establishment. Service charges aren't tips; see *Difference Between Service Charges and Tips*, later.

Example. Good Food Restaurant is a soup-and-salad specialty business. Customers select food items at a buffet. They then pay and take their trays to tables. The restaurant employees clear the tables but may also help the customers if they need anything extra. Customers rarely leave a tip. Thus, tipping isn't customary at Good Food Restaurant. Therefore, Good Food Restaurant isn't a large food or beverage establishment and a Form 8027 isn't required.

Food or beverage employee. A food or beverage employee is an employee who provides services in connection with the provision of food or beverages. These employees include, but aren't limited to, waitstaff, bussers, bartenders, persons in charge of seating (such as a maitre d'), wine stewards, cooks, and kitchen help. Examples of employees who aren't food or beverage employees include, but aren't limited to, coat check persons, bellhops, and doormen.

Worksheet for Determining if You Must File Form 8027 for Calendar Year 2025

You can complete the optional worksheet to determine if you had more than 10 employees on a typical business day during 2024 and, therefore, must file Form 8027 for 2025. It is the **average number of employee hours worked on a typical business day** that determines whether or not you employed more than 10 employees. Completing this worksheet is only for the employer's information (don't send it to the IRS).

You must consider the following when completing the worksheet.

- Include employees at all your food or beverage operations, even if an individual operation has fewer than 10 employees.
- Include all employees at your food or beverage operations, not just food or beverage employees.
- Don't include employees at fast-food operations.
- Don't apply the 10-employee test separately to each food or beverage operation.
- Don't consider anyone who owns 50% or more in value of the stock of a corporation as an employee for the 10-employee test. See Regulations section 31.6053-3(j)(9) for more information.

1.	Enter **one-half** of the **total** employee hours worked during the month in 2024 with the **greatest** aggregate gross receipts from food and beverages	_____
2.	Enter the number of **days opened for business** during the month used for line 1	_____
3.	Enter **one-half** of the **total** employee hours worked during the month in 2024 with the **least** aggregate gross receipts from food and beverages	_____
4.	Enter the number of **days opened for business** during the month used for line 3	_____
5.	Divide line 1 by line 2	_____
6.	Divide line 3 by line 4	_____
7.	Add lines 5 and 6. If line 7 is greater than 80 (hours), you must file Form 8027 for 2025	_____

If your answer on line 7 of the worksheet is more than 80 hours, then you meet the 10-employee test.

Example. Oak Co. operates five restaurants in the Midwest. Those working at the restaurants include food or beverage employees, coat check employees, and parking valet employees. Oak Co. must count all the employees working at all five of Oak Co.'s restaurants, and not just the food or beverage employees, to determine the 10-employee test. Oak Co. must not figure the 10-employee test separately for each operation.

Example. Rose Casino includes a fine dining restaurant, a café, a bar, and a dinner showroom. Rose Casino must count all employees at all these food or beverage operations for the 10-employee test, including the managers of the operations as well as the food or

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beverage employees. Rose Casino must not figure the 10-employee test separately for each operation.

Caution: If you meet the 10-employee test, file a separate Form 8027 for each food or beverage operation where tipping is customary. This is true even if an individual operation, when considered separately, doesn't have more than 10 employees on a typical business day.

Example. Continuing with the previous example, Rose Casino meets the 10-employee test. All four of the food or beverage operations meet the other tests, as they are located in the 50 states and tipping of food or beverage employees by customers is customary at each of the operations. Each of the four food or beverage activities records gross receipts separately, and customers of each activity occupy an area separate from that occupied by customers of the other activities. Because each activity qualifies as a large food or beverage establishment, Rose Casino is required to file four Forms 8027 (a separate Form 8027 for the restaurant, the café, the bar, and the showroom) even if an individual activity has less than 10 employees.

Tip: If you're required to report for more than one establishment and you file Forms 8027 on paper, you must complete and file Form 8027-T, Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips, with Forms 8027. Attach Forms 8027 in establishment number order (lowest to highest). For more information on establishment numbers, see *Establishment Number*, later. Form 8027-T isn't filed with electronically filed Forms 8027.

New business. You're a new business if you opened a food or beverage operation during the year and you didn't operate any food or beverage operations during the preceding calendar year. File Form 8027 for a new food or beverage operation if, during any 2 consecutive calendar months, the average number of hours worked each business day by all employees is more than 80 hours. To figure the average number of employee hours worked each business day during a month, divide the total hours all employees worked during the month by the number of days the operation was open for business. After the test is met for 2 consecutive months, you must file a return covering the rest of the year, beginning with the next payroll period.

When To File

File Form 8027 (and Form 8027-T when filing more than one paper Form 8027) by March 2, 2026. However, if you file electronically, the due date for Form 8027 is March 31, 2026.

Extension of time to file. Filers of Form 8027 submitted on paper or electronically may request an extension of time to file on Form 8809. File Form 8809 as soon as you know an extension of time to file is necessary, but not before January 1 of the filing year, and not later than March 2, 2026 (March 31, 2026, if you file Forms 8027 electronically).

Where To File

If you file a paper return, mail Form 8027 to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201

Form 8027 attachments if filing on paper. If applicable, attach a copy of your timely filed Form 8809, and a copy of your "lower rate" determination letter from the IRS. If you filed Form 8508, Application for a Waiver from Electronic Filing of Information Returns, attach a copy of the approved waiver that you received. Don't attach any other documents.

Reporting and filing electronically. You may be required to file Forms 8027 electronically. For more information, see *Electronic filing*, earlier.

Penalties

The law provides for a penalty if you don't file Form 8027 (and Form 8027-T, if applicable) on time unless you can show reasonable cause for the delay. In addition, if you don't complete an accurate Form 8027, you won't be able to correctly prepare Form W-2, Wage and Tax Statement, for each directly tipped employee for whom a tip allocation was required to be made. You may be charged penalties for each failure to:

- Timely file a correct information return (Forms 8027 and W-2), including failure to file electronically, if required; and
- Timely furnish a correct Form W-2 to the employee.

For more information on penalties for untimely or incorrect Forms W-2 or 8027, see the penalties sections in the General Instructions for Forms W-2 and W-3, and the General Instructions for Certain Information Returns.

Gross Receipts

On Form 8027, you must report your establishment's gross receipts from food and beverages you provide. You will use gross receipts to determine other amounts that you must report. Gross receipts include all receipts from the provision of food or beverages (other than nonallocable receipts, as defined later) from cash sales, charge receipts, charges to a hotel room (excluding tips charged to the hotel room if your accounting procedures allow these tips to be separated), and the retail value of complimentary food or beverages served to customers, as explained later.

Generally, tips aren't included in gross receipts. However, if you reduced your cash sales by the amount of any cash you paid to tipped employees for any charged tips due to them, then include those charged tips in your gross receipts. Don't include state or local taxes in gross receipts. Don't include receipts from the sale of merchandise such as souvenirs, memorabilia, tee shirts, or glassware in gross receipts from food and beverages.

If you don't charge separately for providing food and beverages along with other goods or services (such as a package deal for food and lodging), make a good-faith estimate of the gross receipts from the food and beverages. This estimate must reflect the cost to the employer for providing the food and beverages plus a reasonable profit factor.

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Tip: Remind all directly and indirectly tipped employees to include all charged tips and all cash tips received in the tip amount that they must report to you.

Nonallocable receipts. These are receipts for carryout sales and receipts with a service charge added of 10% or more. Carryout sales are sales of food or beverages for consumption off the premises of the establishment. Room service isn't a carryout sale. Nonallocable receipts generally include all sales on which tipping isn't customary.

Complimentary items. Food or beverages served to customers without charge must be included in gross receipts if (a) tipping for providing them is customary at the establishment; and (b) they are provided in connection with an activity that is engaged in for profit, whose receipts wouldn't be included in the amount on line 5 of Form 8027, and whose receipts aren't nonallocable receipts that have a service charge of 10% or more added.

For example, you would have to include in gross receipts the retail value of the complimentary drinks served to customers in a gambling casino because tipping is customary, the gambling casino is an activity engaged in for profit, and the gambling receipts of the casino aren't included in the amount on line 5.

However, you wouldn't have to include the retail value of complimentary hors d'oeuvres at your bar or a complimentary dessert served to a regular patron of your restaurant in gross receipts because the receipts of the bar or restaurant would be included in the amount on line 5. You wouldn't have to include the value of a fruit basket placed in a hotel room in gross receipts because, generally, tipping for it isn't customary.

Allocation of Tips

You must allocate tips among employees who receive them if the total tips reported to you during any payroll period are less than 8% (or the approved lower rate) of the establishment's gross receipts for that period. The allocation is made to each directly tipped employee performing services for the establishment who has a reporting shortfall for the payroll period. No allocation is made to indirectly tipped employees.

Generally, the amount allocated is the difference between the total tips reported by employees and 8% (or the lower rate) of the gross receipts, other than nonallocable receipts.

There are three methods you may use to allocate tips. See the instructions for line 7, later, for a description of the three methods.

Lower rate. You (or a majority of the employees) may request a lower rate (but not lower than 2%) by submitting a petition to:

Internal Revenue Service
National Tip Reporting Compliance
3251 North Evergreen Dr. NE
Grand Rapids, MI 49525

Caution: Don't mail Form 8027 to this address. See *Where To File*, earlier.

The burden of supplying sufficient information to allow the IRS to estimate with reasonable accuracy the actual tip rate of the establishment rests with the petitioner. Your petition for a lower rate must clearly demonstrate that a rate less than 8% should apply. It must include the following information.

- Employer's name, address, and employer identification number (EIN).
- Establishment's name, address, and establishment number.
- Detailed description of the establishment that would help to determine the tip rate. The description should include the type of restaurant, days and hours of operation, type of service including any self-service, the person (waitstaff, cashier, etc.) to whom the customer pays the check, whether the check is paid before or after the meal, and whether alcohol is available.
- Past year's information shown on lines 1 through 6 of Form 8027 as well as total carryout sales; total charge sales; percentage of sales for breakfast, lunch, and dinner; average dollar amount of a guest check; service charge, if any, added to the check; and the percentage of sales with a service charge.
- Type of clientele.
- Copy of a representative menu for each meal.

An employer petition must contain the following statement and be signed by a responsible person who is authorized to make and sign a return, statement, or other document.

> *"Under penalties of perjury, I declare that I have examined this petition, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this petition are true, correct, and complete."*

For an employer petition, you must attach to the petition copies of Form 8027 (if any) filed for the 3 years before your petition. If you're petitioning for more than one establishment or you want to know your appeal rights, see Rev. Proc. 86-21, 1986-1 C.B. 560, for additional information. Also, include with your petition a check or money order made payable to "United States Treasury" for the amount of the user fee required for determination letters.

For the current user fee amount, consult the first revenue procedure of the year (for example, Rev. Proc. 2025-1, 2025-1 I.R.B. 1, available at *IRS.gov/irb/2025-01_IRB#REV-PROC-2025-1*). This revenue procedure is updated annually as the first revenue procedure of the year, but it may be modified or amplified during the year. The user fees are posted in Appendix A of the revenue procedure. Because the taxpayer is requesting a determination letter, the payment for the user fee must be submitted along with the petition for the rate reduction.

A majority of all the directly tipped employees must consent to any petition written by an employee. A "majority of employees" means more than half of all directly tipped employees employed by the establishment at the time the petition is filed. Employee groups must follow the

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procedures in Regulations section 31.6053-3(h); Pub. 531; and Rev. Proc. 86-21.

The IRS will notify you when and for how long the reduced rate is effective.

Caution: You must attach a copy of your "lower rate" determination letter from the IRS when filing a paper Form 8027. See Pub. 1239 for instructions on submitting a copy of your "lower rate" determination letter from the IRS when filing electronically.

Reporting Allocated Tips to Employees

Give each employee who has been allocated tips a Form W-2 that shows the allocated amount in box 8. Tip allocations have no effect on withholding income tax, social security tax, or Medicare tax from employees' wages. Allocated tips aren't subject to withholding and must not be included in boxes 1, 3, 5, and 7 of Form W-2.

If you allocate tips among employees by the methods described later under the instructions for line 7, you're not liable to any employee if any amount is improperly allocated. However, if the allocation shown on the employee's Form W-2 differs from the correct allocation by more than 5%, you must correct that employee's allocation. You must also review the allocable amount of all other employees in the same establishment to ensure that the error didn't distort any other employee's share by more than 5%.

You must furnish Form W-2 to employees by January 31 of the following year. If employment ends before the end of the year and the employee asks for the Form W-2, a tip allocation isn't required on the early Form W-2. See *If you furnished Form W-2 before the end of the year*, later.

Correcting allocated tips reported on Form W-2 furnished to an employee in January. If you furnished Form W-2 to an employee in January and later discover an error that requires a correction (as discussed earlier), the method for making a correction depends on whether Form W-2 has been filed with the Social Security Administration (SSA).

If you filed Form W-2 with the SSA. Use the current version of Form W-2c to report the corrected allocation and correct the previously filed Form W-2.

If you furnished Form W-2 to an employee but didn't file it with the SSA. Prepare a new Form W-2 with the correct information and file Copy A with the SSA. Enter "Corrected" on the employee's new copies (B, C, and 2), and furnish them to the employee. Don't enter "Corrected" on Copy A of the Form W-2 that you file with the SSA.

If you furnished Form W-2 before the end of the year. You may include on the early Form W-2 the employee's actual tip allocation or a good-faith estimate of the allocation. Signify a good-faith estimate by entering "Estimate" next to the allocated amount in box 8 of the Form W-2.

If you didn't include an allocation on the early Form W-2 or if the estimated allocation on the early form differs from the actual amount by more than 5%, prepare a new Form W-2 with the correct information and file Copy A with the SSA. Enter "Corrected" on the employee's new copies (B, C, and 2) and furnish them to the employee during January of the next year. Don't enter "Corrected" on Copy A of the Form W-2 that you file with the SSA.

Caution: Don't send Forms W-2 to the IRS. We use the information shown on the Forms W-2 that you file with the SSA.

Difference Between Service Charges and Tips

Service charges are treated differently from tips for federal tax purposes. Any portion of a service charge that is distributed to an employee is wages, and you must withhold federal income tax, social security tax, and Medicare tax and include the amount on Form W-2 as wages. Service charges aren't reported as tips on Form 8027. You may be required to report service charges on line 3; see the instructions for line 3, later. To accurately report and pay your taxes, you must correctly identify amounts as either a tip or a service charge. Generally, an amount is a tip if:

- The payment is made free from compulsion,
- The customer has the unrestricted right to determine the amount (including zero),
- The payment isn't the subject of negotiation or dictated by employer policy, and
- The customer has the right to determine who receives the payment.

The absence of any of these factors creates a doubt as to whether a payment is a tip and indicates that the payment may be a service charge.

For additional information, including examples of both service charges and tips, see Q&A 1 in Rev. Rul. 2012-18, 2012-26 I.R.B. 1032, available at *IRS.gov/irb/2012-26_IRB#RR-2012-18*.

Specific Instructions

File a separate Form 8027 for each large food or beverage establishment. Use Form 8027-T when filing more than one paper Form 8027.

Name and Address of Establishment and Employer Identification Number

Type or print the name and address of the establishment. They may be different from your mailing address, as in the case of employers who have more than one establishment. Enter the name by which your customers know you (your "doing business as" name). For example, enter the name on the front of the building or the name of the restaurant within the casino. The EIN should be the same as the number on the Forms W-2 that you furnish to the employees and the Form 941 that you file to report wages and taxes for employees working for the establishment. However, if you use a CPEO, see *Certified professional employer organizations*, earlier.

Tip: Always be sure the EIN on the form you file exactly matches the EIN that the IRS assigned to your business. Don't use your social security number on forms that ask for an EIN.

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If one of the following applies to you, check the appropriate box on the left side of the form to tell us which type of return you're filing.

- Amended return.
- Final return.

Type of Establishment

Check the box (check only one box) on the form that best describes the type of food or beverage establishment.

- An establishment that serves evening meals only (with or without alcoholic beverages).
- An establishment that serves evening and other meals (with or without alcoholic beverages).
- An establishment that serves only meals other than evening meals (with or without alcoholic beverages).
- An establishment that serves food, if at all, only as an incidental part of the business of serving alcoholic beverages.

Employer's Name and Address

Enter the name and address of the entity or individual whose EIN was provided earlier. If mail isn't delivered to your street address, enter your P.O. box number. Enter foreign addresses as follows: city, province or state, and country. Don't abbreviate the name of the country.

Establishment Number

Enter a five-digit number to identify the individual establishment that you're reporting under the same EIN. Give each establishment a separate number and complete a separate Form 8027 for each. For example, each establishment could be numbered consecutively, starting with 00001. Once you assign a number to an establishment, always use the same number for that establishment each year. If you close an establishment, don't use the number you assigned to it for another establishment.

Does This Establishment Accept Credit Cards, Debit Cards, or Other Charges?

You must check either the “Yes” or “No” box to indicate whether or not the establishment accepts credit cards, debit cards, or other electronic settlement methods. If the “Yes” box is checked, lines 1 and 2 of Form 8027 must be completed, and you must enter on lines 1 and 2 the appropriate amounts shown on the charge receipts. See the instructions for lines 1 and 2, later.

Lines 1 Through 8

Rounding Off to Whole Dollars

You may round off cents to whole dollars on your Form 8027. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.39 becomes $1 and $2.50 becomes $3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Line 1. Total Charged Tips for Calendar Year 2025

Enter the total amount of tips that are shown on charge receipts for the year. Don't include service charges. See *Difference Between Service Charges and Tips*, earlier. If you indicated that your establishment accepts credit cards, debit cards, or other charges but have no amounts to report on line 1, enter zero.

Line 2. Total Charge Receipts Showing Charged Tips

Enter the total sales from the provision of food and beverages (other than nonallocable receipts, as defined earlier) from charge receipts that had a charged tip shown. Include credit card charges and other credit arrangements and charges to a hotel room unless your normal accounting practice consistently excludes charges to a hotel room. Don't include any tips or any state or local taxes in the amounts reported. If you indicated that your establishment accepts credit cards, debit cards, or other charges but have no amounts to report on line 2, enter zero.

Line 3. Total Amount of Service Charges of Less Than 10% Paid as Wages to Employees

Enter the total amount of service charges of less than 10% that have been added to customers' bills and have been distributed to your employees for the year.

Line 4a. Total Tips Reported by Indirectly Tipped Employees

Enter the total amount of tips reported for the year by indirectly tipped employees, such as cooks, bussers, and service bartenders. Indirectly tipped employees generally receive their tips from other tipped employees and not directly from the customer.

Line 4b. Total Tips Reported by Directly Tipped Employees

Enter the total amount of tips reported for the year by directly tipped employees, such as bartenders and waitstaff. Directly tipped employees receive tips directly from customers. Treat employees, such as maitre d's, who receive tips directly from customers and indirectly through tip splitting or pooling, as directly tipped employees.

Line 4c. Total Tips Reported

Add the amounts on lines 4a and 4b and enter the result on line 4c. This amount can't be a negative amount.

Line 4a
\+ Line 4b
Line 4c

Caution: In figuring the tips you should report for 2025, don't include tips received by employees in December 2024 but not reported until January 2025. However, include tips received by employees in December 2025 but not reported until January 2026.

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Line 5. Gross Receipts From Food and Beverages

Enter the total gross receipts from the provision of food and beverages for the establishment for the year. See *Gross Receipts*, earlier, for an explanation of what's included in gross receipts.

Line 6

Enter the result of multiplying line 5 by 8% (0.08) or a lower rate (if the establishment was granted a lower rate by the IRS).

If a lower rate was granted, enter the rate in the space provided and attach a copy of the IRS determination letter. If you file Form 8027 electronically, see Pub. 1239 for instructions on submitting a copy of the IRS determination letter.

Caution: The 8% rate (or lower rate) is used for tip allocation purposes only. Using this rate doesn't mean that directly tipped employees must report only 8%. All directly tipped employees and indirectly tipped employees must report the actual amount of tips they receive.

You may allocate tips for the calendar year, annually, by payroll period, or by using any period that results in a reasonable division of a calendar year, including biweekly, semimonthly, quarterly, etc. The method you choose will be effective for the entire calendar year.

Tip: If you have allocated tips using a period other than the calendar year (semimonthly, biweekly, quarterly, etc.), mark an "**X**" on line 6 and enter the amount of allocated tips (if any) from your records on line 7.

Line 7. Allocation of Tips

If the amount shown on line 6 is more than the amount of tips reported by your employees on line 4c, you must allocate the excess to those employees. Enter the excess on line 7. This excess amount is reported on each employee's Form W-2 as described earlier under *Reporting Allocated Tips to Employees*. If you previously filed Forms W-2 for employees that didn't include accurate tip allocations, you may be required to file Forms W-2c. For more information, see *Correcting allocated tips reported on Form W-2 furnished to an employee in January*, earlier. If the amount on line 4c is more than the amount on line 6, you don't need to make a tip allocation.

There are three methods by which you may allocate tips. Check the box on line 7a, 7b, or 7c to show the method used.

Line 7a. Hours-Worked Method

Establishments that employ fewer than the equivalent of 25 full-time employees (both tipped and nontipped employees) during a payroll period may use the hours-worked method to allocate tips. You will be considered to have employed fewer than the equivalent of 25 full-time employees during a payroll period if the average number of employee hours worked (both tipped and nontipped employees) per business day during a payroll period is less than 200 hours.

To allocate tips by the hours-worked method, follow the steps explained under *Line 7b. Gross Receipts Method*, later. However, for the fraction in step 3 of the gross receipts method, substitute in the numerator (top number) the number of hours worked by each employee who is tipped directly, and in the denominator (bottom number) the total number of hours worked by all employees who are directly tipped for the payroll period. See Regulations section 31.6053-3(f)(1)(iv) for details.

If you use the hours-worked method, be sure to enter on line 7a the average number of employee (both tipped and nontipped) hours worked per business day during the payroll period. If the establishment has more than one payroll period, you must use the payroll period in which the greatest number of workers (both tipped and nontipped) were employed.

Line 7b. Gross Receipts Method

If no good-faith agreement (as explained later) applies to the payroll period, you must allocate the difference between total tips reported and 8% of gross receipts using the gross receipts method (or hours-worked method (line 7a)) as follows (see *Example for Line 7b. Gross Receipts Method*, later).

Tip: The instructions that follow assume you have chosen to allocate tips by payroll period. However, as described earlier in the instructions for Line 6, you may choose to allocate tips for the calendar year, annually, or by using any period that results in a reasonable division of a calendar year, including biweekly, semimonthly, quarterly, etc.

1. Multiply the establishment's gross receipts (other than nonallocable receipts) for the payroll period by 8% (0.08) or the approved lower rate.
2. Subtract from the amount figured in step 1 the total amount of tips reported by employees who were tipped indirectly for the payroll period. This difference is the directly tipped employees' total share of 8% (or the lower rate) of the gross receipts of the establishment. Indirectly tipped employees don't receive tips directly from customers. Examples are bussers, service bartenders, and cooks. Directly tipped employees, such as waitstaff and bartenders, receive tips directly from customers. Employees, such as maitre d's, who receive tips directly from customers and indirectly through tip splitting or pooling, are treated as directly tipped employees.
3. For each employee who is tipped directly, multiply the result in step 2 by the following fraction: the numerator (top number) is the amount of the establishment's gross receipts attributable to the employee, and the denominator (bottom number) is the gross receipts attributable to all directly tipped employees. The result is each directly tipped employee's share of 8% (or the lower rate) of the gross receipts for the payroll period.
4. From each directly tipped employee's share of 8% (or the lower rate) of the gross receipts figured in step 3, subtract the tips the employee reported for the payroll period. The result is each directly tipped employee's shortfall (if any) for the period.
5. From the amount figured in step 1, subtract the total tips reported by both directly and indirectly tipped employees. The result is the amount that has to be

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allocated among the directly tipped employees who had a shortfall for the payroll period as figured in step 4.

6. For each directly tipped employee who had a shortfall for the period as figured in step 4, multiply the amount in step 5 by the following fraction: the numerator is the employee's shortfall (figured in step 4), and the denominator is the total shortfall of all directly tipped employees. The result is the amount of allocated tips for each directly tipped employee.

Line 7c. Good-Faith Agreement

An allocation can be made under a good-faith agreement. This is a written agreement between you and at least two-thirds of the tipped employees of each occupational category (for example, waitstaff, bussers, and maitre d's) working in the establishment when the agreement is adopted. The agreement must:

1. Provide for an allocation of the difference between total tips reported and 8% (or the lower rate) of gross receipts among tipped employees that approximates the actual distribution of tip income among the employees;

2. Be effective the first day of a payroll period that begins after the date the agreement is adopted, but no later than January 1 of the next year;

3. Be adopted when there are tipped employees in each occupational category who would be affected by the agreement; and

4. Allow for revocation by a written agreement adopted by at least two-thirds of the tipped employees in occupational categories affected by the agreement when it is revoked. The revocation is effective only at the beginning of a payroll period.

Keep a copy of the good-faith agreement for your records.

Line 8. Total Number of Directly Tipped Employees

Enter the total number of directly tipped employees who worked at the establishment during 2025. This is the cumulative total of all directly tipped employees who worked at the establishment at any time during the year. If you have a large turnover of directly tipped employees, this number may be large. Don't use this number to determine if you must file Form 8027. Instead, see Worksheet for Determining if You Must File Form 8027 for Calendar Year 2025, earlier.

Signature

Sign your name and include your title. Then, enter the date signed and the best daytime telephone number where the IRS can reach you, including area code.

Who Must Sign

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship—**The individual who owns the business.

- **Corporation (including a limited liability company (LLC) treated as a corporation)—**The president, vice president, or another principal officer duly authorized to sign.

- **Partnership (including an LLC treated as a partnership) or unincorporated organization—**A responsible and duly authorized member, partner, or officer having knowledge of its affairs.

- **Single-member LLC treated as a disregarded entity for federal income tax purposes—**The owner of the LLC or a principal officer duly authorized to sign.

- **Trust or estate—**The fiduciary.

Form 8027 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form 8027 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at *IRS.gov/irb/2005-28_IRB#RP-2005-39*.

Example for Line 7b. Gross Receipts Method

A large food or beverage establishment has chosen to make tip allocations using its actual payroll period. It has gross receipts for a payroll period of $100,000 and has tips reported for the payroll period of $6,200. Directly tipped employees reported $5,700, while indirectly tipped employees reported $500.

Directly tipped employees	Gross receipts for payroll period	Tips reported
A	$18,000	$1,080
B	16,000	880
C	23,000	1,810
D	17,000	800
E	12,000	450
F	14,000	680
Totals	$100,000	$5,700

1. $100,000 (gross receipts) x 0.08 = $8,000
2. $8,000 – $500 (tips reported by indirectly tipped employees) = $7,500

3.

Directly tipped employees	Directly tipped employees' share of 8% of the gross	(Times) Gross receipts ratio	Employee's share of 8% of gross
A	$7,500	18,000/100,000 =	$1,350
B	7,500	16,000/100,000 =	1,200
C	7,500	23,000/100,000 =	1,725
D	7,500	17,000/100,000 =	1,275
E	7,500	12,000/100,000 =	900
F	7,500	14,000/100,000 =	1,050
		Total	$7,500

4.

Directly tipped employees	Employee's share of 8% of the gross	(Minus) Tips reported	Employee shortfall
A	$1,350	$1,080 =	$270
B	1,200	880 =	320
C	1,725	1,810 =	–
D	1,275	800 =	475
E	900	450 =	450
F	1,050	680 =	370
		Total shortfall	$1,885

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5. $8,000 less $6,200 (total tips reported) = $1,800 (amount allocable among employees who had a shortfall)

6.

Shortfall employees	Allocable amount	(Times) Shortfall ratio	Amount of allocation
A	$1,800	$270/$1,885 =	$258
B	1,800	320/1,885 =	306
D	1,800	475/1,885 =	454
E	1,800	450/1,885 =	430
F	1,800	370/1,885 =	353

Because employee C has no shortfall, there is no allocation to C.

Tip: In this example, the total amount of the allocation is $1,801, resulting from the rounding off to whole numbers.

For additional examples for the hours-worked method and gross receipts method, see Regulations section 31.6053-3(f).

Employer's Optional Worksheet for Tipped Employees

Unreported tip income can lead to additional employer liability for social security tax and Medicare tax. As a means of determining if your employees are reporting all of their tips to you, please take a few minutes to voluntarily complete the following worksheet. Completing this worksheet is only for the employer's information (don't send it to the IRS).

1.	Enter amount from Form 8027, line 1	1. _____
2.	Enter amount from Form 8027, line 2	2. _____
3.	Divide line 1 by line 2, enter as a decimal (at least 4 decimal places)	3. _____
4.	Enter amount from Form 8027, line 4c	4. _____
5.	Enter amount from Form 8027, line 5	5. _____
6.	Divide line 4 by line 5, enter as a decimal (at least 4 decimal places)	6. _____
7.	Subtract line 6 from line 3; if zero or less, stop here	7. _____
8.	Potential unreported tips. Multiply line 7 by line 5	8. _____

Once you have completed the worksheet:

- If the entry on line 7 is zero or less, your employees are probably accurately reporting their tips; however,
- If the entry on line 8 is greater than zero, depending on the type of operation you have, it is possible that your employees aren't reporting all of their tip income to you.

Tip: Another quick method to determine if your employees are properly reporting all of their tips to you is to compare the rate of tips reported on credit sales to the rate of tips reported on cash sales. For example, if line 3 in the worksheet greatly exceeds the rate determined from dividing reported cash tips by reportable cash receipts (that is, total cash receipts less nonallocable cash receipts), some of your employees may not be reporting all of their tips to you and you should generally be showing an amount on line 7 ("Allocation of tips") of Form 8027.

Do You Need Help?

If it appears that not all tips are being reported to you, the IRS offers a service called the Tip Rate Determination & Education Program. This program can assist you, the employer, in implementing more effective methods of tip income reporting. The program also offers assistance in educating tipped employees concerning their obligations relating to the reporting of any tip income they receive. To find out more about this program or to participate in a voluntary tip compliance agreement, see Pub. 3144. You may also send an email to *TIP.Program@irs.gov* and request information on this program.

Technical Services Operation (TSO) is available to answer questions about reporting on Forms 8027, W-2, W-3, and 1099, and other information returns. If you have questions about reporting on information returns, call TSO toll free at 866-455-7438 or 304-263-8700 (not toll free). The IRS welcomes calls via your choice of relay. Deaf or hard-of-hearing taxpayers using a relay service may call any of our toll-free numbers.

You can also reach the center by email at *mccirp@irs.gov*. Don't include taxpayer identification numbers (TINs) or attachments in email correspondence because it isn't secure.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on Form 8027 to carry out the Internal Revenue laws of the United States. You're required to give us the information. We need it to ensure that you're complying with these laws and to allow us to figure and collect the right amount of tax.

Chapter 61, Information and Returns, of Subtitle F, Procedure and Administration, requires certain employers to report gross receipts, tips reported to them, and any allocated tips; and to furnish the amount of any allocated tips to affected employees. Section 6053 and its related regulations provide the definitions and methodology to be used in completing these forms. If you fail to provide this information in a timely manner, you may be liable for penalties as provided by section 6721.

You're not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 8027 will vary depending on individual circumstances. The

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estimated burden for employers filing Form 8027 is approved under OMB control number 1545-0029 and is included in the estimates shown in the Instructions for Form 941.

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