

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

ADMINISTRATIVE

REG-108673-25, page 494.

Tax return preparers must use a preparer tax identification number (PTIN) on returns they prepare for compensation. The PTIN must be renewed annually. The IRS charges a user fee on each PTIN application or application for renewal to recover costs for issuing and renewing PTINs. The IRS has recalculated the PTIN user fee and determined the full cost for each application or application for renewal is \$10, plus an amount payable directly to a third-party contractor. These regulations therefore propose to decrease the current PTIN user fee of \$11 to \$10, plus an amount payable directly to the third-party contractor. REG-108673-25. Published September 30, 2025.

T.D. 10035, page 484.

Tax return preparers must use a preparer tax identification number (PTIN) on returns they prepare for compensation. The PTIN must be renewed annually. The IRS charges a user fee on each PTIN application or application for renewal to recover costs for issuing and renewing PTINs. The IRS has recalculated the PTIN user fee and determined the full cost for each application or application for renewal is \$10, plus an amount payable directly to a third-party contractor. These interim final regulations therefore decrease the current PTIN user fee of \$11 to \$10, plus amount payable directly to the third-party contractor. TD 10035. Published September 30, 2025.

Bulletin No. 2025-42
October 14, 2025

INCOME TAX

REG-110032-25, page 495.

These proposed regulations would identify occupations that customarily and regularly received tips on or before December 31, 2024, and would provide a definition of “qualified tips” for purposes of the income tax deduction for qualified tips.

REG-112261-24; REG-116085-23, page 522.

The document withdraws a notice of proposed rulemaking containing proposed regulations regarding certain matters relating to corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss. The document also withdraws a notice of proposed rulemaking containing proposed regulations that would have required multi-year tax reporting for corporate separations and related transactions. The proposed regulations would have affected corporations and their shareholders and security holders.

Rev. Proc. 2025-30, page 489.

This revenue procedure provides procedures for taxpayers requesting private letter rulings from the Internal Revenue Service regarding certain issues pertaining to transactions intended to qualify under section 355 of the Internal Revenue Code, including representations, information, and analysis that taxpayers requesting these rulings should submit to the IRS. This revenue procedure revokes Notice 2024-38, 2024-21 I.R.B. 1211, supersedes Rev. Proc. 2024-24, 2024-21 I.R.B. 1214, and modifies Rev. Proc. 2025-1, 2025-1 I.R.B. 1 and Rev. Proc. 2017-52, 2017-41 I.R.B. 283.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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Part I

26 CFR 300.11: Fee for obtaining a preparer tax identification number

T.D. 10035

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 300

Preparer Tax Identification Number (PTIN) User Fee Update

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Interim final rule.

SUMMARY: This document contains interim final regulations relating to the imposition of certain user fees on tax return preparers. These regulations reduce from \$11 to \$10 the amount of the user fee to apply for or renew a preparer tax identification number (PTIN) and affect individuals who apply for or renew a PTIN. The Independent Offices Appropriation Act of 1952 authorizes the charging of user fees. The text of these interim final regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking on this subject in this issue in the Proposed Rules section of this edition of the *Federal Register*.

DATES: *Effective date:* These final regulations are effective on September 30, 2025.

Applicability date: For date of applicability, see §300.11(d) of these interim final regulations.

FOR FURTHER INFORMATION

CONTACT: Concerning the interim final regulations, Jamie Song at (202) 317-6845; concerning cost methodology, Maria E. Arias-Buchanan at (202) 803-9569 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Authority

This document contains interim final amendments to 26 CFR part 300 regarding user fees to apply for or renew a PTIN.

The Independent Offices Appropriation Act of 1952 (IOAA), which is codified at 31 U.S.C. 9701, authorizes agencies to prescribe regulations that establish user fees for services provided by the agency. The IOAA provides that regulations implementing user fees are subject to policies prescribed by the President; these policies are set forth in the Office of Management and Budget Circular A-25, 58 FR 38142 (July 15, 1993) (OMB Circular A-25).

Under OMB Circular A-25, Federal agencies that provide services that confer benefits on identifiable recipients are to establish user fees that recover the full cost of providing the service. An agency that seeks to impose a user fee for government-provided services must calculate the full cost of providing those services. In general, a user fee should be set at an amount that allows the agency to recover the direct and indirect costs of providing the service, unless the Office of Management and Budget (OMB) grants an exception. OMB Circular A-25 provides that agencies are to review user fees biennially and update them as necessary.

Background

A. PTIN Requirement

Section 6109(a)(4) of the Internal Revenue Code (Code) authorizes the Secretary of the Treasury or the Secretary's delegate (Secretary) to prescribe regulations for the inclusion of a tax return preparer's identifying number on a return, statement, or other document required to be filed with the IRS. On September 30, 2010, the Department of the Treasury (Treasury Department) and the IRS published final regulations (TD 9501) under section 6109 in the *Federal Register* (75 FR 60309) to provide that, for returns or claims for refund filed after December

31, 2010, the identifying number of a tax return preparer is the individual's PTIN or such other number prescribed by the IRS in forms, instructions, or other appropriate guidance. Those regulations require a tax return preparer who prepares or who assists in preparing all or substantially all of a tax return or claim for refund after December 31, 2010, to have a PTIN.

B. PTIN User Fee

Final regulations (TD 9503) published in the *Federal Register* (75 FR 60316) on September 30, 2010, established a \$50 user fee to apply for or renew a PTIN, based on a 2010 Cost Model. In addition, a \$14.25 fee for a new application and a \$13 fee for an application for renewal was payable directly to a third-party contractor.

In 2013, the IRS conducted a biennial review of the PTIN user fee and issued a new Cost Model that estimated an increase of the PTIN user fee, to \$54. However, the IRS determined to keep the fee at \$50 for the next two years.

In 2015, the IRS conducted a biennial review of the PTIN user fee and issued a new Cost Model, which determined that the full cost of administering the PTIN program going forward was reduced from \$50 to \$33 per application or application for renewal, plus a \$17 fee per application or application for renewal payable directly to a third-party contractor. Final regulations (TD 9781) published in the *Federal Register* (81 FR 52766) on August 10, 2016, superseded and adopted temporary regulations (TD 9742) published in the *Federal Register* (80 FR 66792) on October 30, 2015, and established the \$33 annual user fee to apply for or renew a PTIN, plus \$17 per application or application for renewal payable directly to a third-party contractor.

In 2017, the IRS again conducted a biennial review of the PTIN user fee and issued a new Cost Model, which determined that the amount of the fee going forward should be reduced to \$31 per application or application for renewal, plus an amount payable directly to a third-party contractor. However, on June 1, 2017,

before a notice of proposed rulemaking proposing to reduce the amount of the PTIN user fee was issued, the IRS was enjoined from charging a PTIN user fee. In *Steele v. United States*, 260 F. Supp. 3d 52 (D.D.C. 2017), the United States District Court for the District of Columbia concluded that the Treasury Department and the IRS lacked the statutory authority to charge a PTIN user fee and enjoined the IRS from charging a PTIN user fee. See *Steele*, 2017 WL 3621747 (D.D.C. July 10, 2017) (final judgment and permanent injunction). The government filed an appeal and on March 1, 2019, the United States Court of Appeals for the District of Columbia Circuit reversed the district court's decision and lifted the injunction against charging the PTIN user fee. See *Montrois v. United States*, 916 F.3d 1056 (D.C. Cir. 2019) (holding that a PTIN provides tax return preparers a specific benefit by allowing them to provide an identifying number that is not a social security number on returns they prepare and stating that the permissible amount of the fee would be the same regardless of whether the specific benefit was instead the ability to prepare tax returns for compensation). The case was remanded to the United States District Court for the District of Columbia to determine whether the fee amounts were excessive. *Id.* at 1068.

In 2019, the IRS again conducted a biennial review of the PTIN user fee and issued a new Cost Model, which determined that the amount of the fee going forward should be reduced to \$21 per application or application for renewal, plus a \$14.95 fee per application or application for renewal payable directly to a third-party contractor. Final regulations (TD 9903) published in the *Federal Register* (85 FR 43433) on July 17, 2020, adopted the proposed regulations (REG-117138-17) published in the *Federal Register* (85 FR 21126) on April 16, 2020, and established the \$21 annual user fee to apply for or renew a PTIN, plus \$14.95 per application or application for renewal payable directly to a third-party contractor.

In *Steele v. United States*, 657 F. Supp. 3d 23 (D.D.C. 2023), the United States District Court for the District of Columbia on remand considered whether the fee amounts were excessive under the IOAA (*Steele* opinion). Explaining that while an agency may charge only the reasonable cost incurred to provide a service, or the value of the service to the recipient, whichever is less, the district court allowed that the activities charged for need only be “reasonably related” to the cost to the agency and the value to the recipient, and the amount may include both “direct and indirect costs” associated with the service provided. *Id.* at 37. The court further noted that where an activity produces an independent public benefit, the fee that would otherwise be charged must be reduced by that portion of the costs attributable to the public benefit. *Id.* at 37-38.

The district court concluded that the PTIN fees for fiscal years (FYs) 2011 through 2017 were excessive to the extent they were based on: (1) the activities already conceded by the government in the case;¹ (2) any compliance activities other than direct and indirect costs of investigating ghost preparers who do not list their PTINs on returns they prepared for compensation as required by law, handling complaints regarding improper use of a PTIN, use of a compromised PTIN, or use of a PTIN obtained through identity theft, and composing the data to refer those specific types of complaints to other IRS business units; (3) any suitability activities; (4) any support activities, other than those for the provision of PTINs and maintenance of the PTIN database, that facilitated provision of an independent benefit to the agency and the public; and (5) any activities of the third-party contractor, other than those related to the issuance, renewal, and maintenance of PTINs, that facilitated provision of an independent benefit to the agency and the public. *Id.* at 48. The plaintiffs in *Steele* filed a notice of appeal on March 26, 2025, and the government filed a notice of cross-appeal on May 22, 2025, to the Court of Appeals

for the District of Columbia Circuit. The appeal is pending as of the publication of these interim final regulations.

In its 2023 biennial review, the IRS, taking into account the *Steele* opinion, determined the amount of the user fee as \$11 per application or application for renewal, plus an \$8.75 fee per application or application for renewal payable directly to a third-party contractor. The amount payable directly to the third-party contractor also took into account certain costs that were addressed in the *Steele* opinion. Subsequently, the IRS entered into a modified contract that allows the government to pay those costs rather than the individuals who apply for or renew a PTIN. Final regulations (TD 9997) published in the *Federal Register* (89 FR 42362) on May 15, 2024, adopted the interim final rule and cross-referencing notice of proposed regulations (REG-106203-23) published in the *Federal Register* (88 FR 68456) on October 4, 2023, and established the \$11 annual user fee to apply for or renew a PTIN, plus \$8.75 per application or application for renewal payable directly to a third-party contractor.

In accordance with the biennial review requirement in OMB Circular A-25 and taking into account the *Steele* opinion, the IRS has issued a new Cost Model that re-determines costs that the government continues to incur for providing PTINs and administering the PTIN program, and re-calculates the amount of the user fee as \$10 per application or application for renewal, plus an \$8.75 fee per application or application for renewal payable directly to a third-party contractor. The amount payable directly to the third-party contractor also takes into account certain costs that were addressed in the *Steele* opinion.

The government is authorized to charge a PTIN user fee under the IOAA because, in exchange for the fee, it provides a service by issuing and maintaining PTINs, which provide tax return preparers a specific benefit by allowing them to provide an identifying number that is not a social security number on returns and claims for

¹The government previously conceded \$26,576,661, \$26,623,420, and \$25,685,247 for amounts collected in FY 2011, FY 2012, and FY 2013, respectively, which related to certain communications, compliance, Office of Professional Responsibility (OPR), and operations support activities; \$8,737,123 and \$9,010,458 for amounts collected in FY 2014 and FY 2015, respectively, which related to certain communications, Office of the Director, Strategy and Finance, suitability, compliance and complaint referrals, competency and standards, continuing education, OPR, enrolled agent and enrolled retirement plan agent department, and contractor processing activities; and \$6,904,345 and \$6,784,762 for amounts collected in FY 2016 and FY 2017, respectively, which related to certain communications, Office of the Director, Strategy and Finance, suitability, compliance and complaint referrals, OPR, enrolled agent and enrolled retirement plan agent department, and contractor processing activities.

refund and to prepare returns and claims for refund for compensation. OMB Circular A-25 states that user fees should be collected in advance of or simultaneously with the provision of a service. The PTIN user fee is collected when tax return preparers apply for or renew their PTINs during the application season, which begins annually in October.

Explanation of Provisions

The IRS follows generally accepted accounting principles (GAAP) in calculating the full cost of administering PTIN applications and renewals. The Federal Accounting Standards Advisory Board (FASAB) is the body that establishes GAAP that apply for Federal reporting entities, such as the IRS. FASAB publishes the FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended (Current Handbook), available at https://files.fasab.gov/pdf/files/2024_FASAB%20Handbook.pdf. The Current Handbook includes the *Statement of Federal Financial Accounting Standards (SFFAS) No. 4: Managerial Cost Accounting Standards and Concepts*. SFFAS No. 4 establishes internal costing standards to accurately measure and manage the full cost of Federal programs, and the methodology below is in accordance with SFFAS No. 4.

1. Cost Estimation of Direct Salary

The IRS uses various cost-measurement techniques to estimate the cost attributable to the program. These techniques include using various timekeeping systems to measure the time required to accomplish activities, or using information provided by subject-matter experts on the time devoted to a program. To determine the salary and benefits cost incurred to provide the service of providing a PTIN, the IRS estimated the number of full-time employees required to conduct

activities related to the costs of issuing and renewing PTINs. The number of full-time employees is based on both current employment numbers and future hiring estimates. The IRS aggregated the hours spent by employees for performing each task, identified by cost center, related to the PTIN user fee, and calculated the percentage of time spent on the PTIN user fee based on a full-time schedule of 2,088 hours annually, with leave and training hours allocated to the resulting percentages based on employees’ tasks related to the PTIN user fee.

2. Overhead

When the indirect cost of a service or activity is not specifically identified from the cost accounting system, an overhead rate is added to the identifiable direct cost to arrive at full cost. Overhead is an indirect cost of operating an organization that is not specifically identifiable with an activity. Overhead includes costs of resources that are jointly or commonly consumed by one or more organizational unit’s activities but are not specifically identifiable to a single activity. These costs can include:

- Financial, human resources, information technology, and general management and administrative.
- Rent and building.
- Procurement, other services, and consulting.
- Property, plant, and equipment.
- Publication services.
- Research, analytical, statistical, library and legal services.

To calculate the overhead allocable to a service, the IRS applies an overhead rate to the identified direct salary and benefits and other direct costs. The overhead rate is the ratio of the IRS’s indirect salary, benefits, and non-salary costs of business divisions that do not interact with taxpayers to the salary and benefits costs of business divisions that interact with taxpayers. The

IRS calculates an overhead rate annually. For the FY 2025 user fee review, an overhead rate of 62.92 percent was used.

3. Calculation of PTIN User Fee

The IRS used projections for FYs 2026 through 2028 to determine the direct and indirect costs associated with the PTIN program that are includible in the PTIN user fee calculation taking into account the *Steele* opinion. Direct costs are incurred by the Return Preparer Office and include staffing and contract-related costs for activities, processes, and procedures related to administering the PTIN program. Staffing costs included in the PTIN user fee calculation relate to the compliance activities of investigating ghost preparers; handling complaints regarding the improper use of a PTIN, use of a compromised PTIN, or use of a PTIN obtained through identity theft; and composing the data to refer those specific types of complaints to other IRS business units. The PTIN user fee also takes into account indirect costs for support activities related to the provision of PTINs and maintenance of the PTIN database. In accordance with *Steele*, the PTIN user fee calculation does not take into account compliance costs other than those described in this paragraph, costs incurred by the Suitability Department, support costs other than those described in this paragraph, and costs previously conceded by the government in *Steele*, as detailed earlier in this preamble.

The salary and benefits for the work performed related to the PTIN program is projected to be \$17,555,984 in total over FYs 2026 through 2028. In addition to salary and benefits and overhead expenses, the IRS projects incurring travel, training, and supplies costs of \$63,579 in each of FYs 2026 through 2028. The total salary and benefits, travel, training, and supplies, and overhead expenses projected are shown below:

Expense	FY 2026	FY 2027	FY 2028	Total
Salary and benefits	\$5,693,975	\$5,850,559	\$6,011,450	\$17,555,984
Travel, training, and supplies	\$63,579	\$63,579	\$63,579	\$190,737
Overhead (62.92 percent)	\$3,582,649	\$3,681,172	\$3,782,404	\$11,046,225

The total cost for FYs 2026 through 2028 is therefore projected to be \$28,792,946. The number of users is based on FY 2024 numbers adjusted by a projected increase in applications in FYs 2026, 2027, and 2028. Dividing this total cost by the projected population of users for FYs 2026 through 2028 results in a cost per application or application for renewal of \$10 as follows: \$28,792,946 (total cost) ÷ 2,829,524 (number of applications) = \$10.18 (cost per application or application for renewal).

Taking into account the full amount of these costs, the amount of the PTIN user fee per application or application for renewal is \$10.

Costs related to a third-party contractor's activities for the issuance, renewal, and maintenance of PTINs, such as processing applications and operating a call center, are included in the PTIN user fee calculation, in accordance with *Steele*. This amount is currently set at \$8.75 per application or application for renewal. The third-party contractor was chosen through a competitive bidding process. The amount of the third-party contractor portion may change in 2026 when the contract expires and will be re-computed.

Special Analyses

I. Regulatory Planning and Review

These interim final regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (July 4, 2025) between the Treasury Department and OMB regarding review of tax regulations.

II. Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these interim final regulations will not have a significant economic impact on a substantial number of small entities. These final regulations affect all individuals who prepare or assist in preparing all or substantially all of a tax return or claim for refund for compensation. Only individuals, not businesses, can have a PTIN. Thus, the economic impact of these regulations on any small entity

generally will be a result of an individual tax return preparer who is required to have a PTIN owning a small business or a small business otherwise employing an individual tax return preparer who is required to have a PTIN. The Treasury Department and the IRS estimate that approximately 915,437, 942,900, and 971,187 individuals will apply annually for an initial or renewal PTIN in FYs 2026, 2027, and 2028, respectively. Although these regulations will likely affect a substantial number of small entities, the economic impact on those entities is not significant. These regulations will establish an \$10 fee per application or application for renewal (plus \$8.75 payable directly to the third-party contractor), which is a reduction from the previously established fee and will not have a significant economic impact on a small entity. Accordingly, the rule is not expected to have a significant economic impact on a substantial number of small entities, and a regulatory flexibility analysis is not required.

III. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 (UMRA) requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million in 1995 dollars, updated annually for inflation. This rule does not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

IV. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These interim final regulations do not have federalism implications and do

not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

V. Good Cause

The annual PTIN application and renewal period for the 2025 filing season will begin shortly. It would be unnecessary and contrary to the public interest for the IRS to continue to charge the current, higher user fee pending public comment after the IRS has determined pursuant to the biennial review conducted under OMB Circular A-25 that the PTIN user fee should be reduced going forward. To enable the reduced fee amount to be in effect for PTINs issued to or renewed by tax return preparers preparing returns or claims for refund in 2026, the Treasury Department and the IRS find that there is good cause to dispense with (1) notice and public comment pursuant to 5 U.S.C. 553(b) and (c) and (2) a delayed effective date pursuant to 5 U.S.C. 553(d). The Treasury Department and the IRS will consider public comments submitted in response to the cross-referenced notice of proposed rulemaking published in the Proposed Rules section of this issue of the *Federal Register* and will promulgate a final rule after considering those comments.

VI. Submission to Small Business Administration

Pursuant to section 7805(f) of the Code, this Treasury decision has been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

VII. Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 et seq.), the Office of Information and Regulatory Affairs designated this rule as not a major rule, as defined by 5 U.S.C. 804(2).

Drafting Information

The principal author of these regulations is Jamie Song, Office of the Asso-

ciate Chief Counsel (Procedure and Administration). Other personnel from the Treasury Department and the IRS participated in the development of the regulations.

List of Subjects in 26 CFR Part 300

Estate taxes, Excise taxes, Fees, Gift taxes, Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 300 is amended as follows:

PART 300—USER FEES

Paragraph 1. The authority citation for part 300 continues to read in part as follows:

Authority: 31 U.S.C. 9701.

Par. 2. Section 300.11 is amended by revising paragraphs (b) and (d) to read as follows:

§300.11 Fee for obtaining a preparer tax identification number.

* * * * *

(b) *Fee.* The fee to apply for or renew a preparer tax identification number is \$10 per year and is in addition to the fee charged by the contractor.

* * * * *

(d) *Applicability date.* This section applies to applications for or renewal of a preparer tax identification number filed on or after September 30, 2025.

Edward T. Killen,
Acting Chief Tax Compliance Officer.

Approved: September 15, 2025.

Kenneth J. Kies,
Assistant Secretary of the Treasury
(Tax Policy).

(Filed by the Office of the Federal Register September 29, 2025, 8:45 a.m., and published in the issue of the Federal Register for September 30, 2025, 90 FR 46762)

Part III

26 CFR 601.201: Rulings and determination letters.
(Also Part I, §§ 355, 1.355-1.)

Rev. Proc. 2025-30

SECTION 1. PURPOSE

This revenue procedure supersedes Rev. Proc. 2024-24, 2024-21 I.R.B. 1214, and provides procedures for taxpayers requesting private letter rulings from the Internal Revenue Service (IRS) after September 29, 2025, regarding certain issues pertaining to transactions intended to qualify under § 355¹ (Section 355 Transactions), including representations, information, and analysis that taxpayers requesting these rulings should submit to the IRS. This revenue procedure also modifies Rev. Proc. 2025-1, 2025-1 I.R.B. 1, and Rev. Proc. 2017-52, 2017-41 I.R.B. 283, and revokes Notice 2024-38, 2024-21 I.R.B. 1211.

SECTION 2. BACKGROUND

.01 Law.

Section 355(a)(1) provides that, if certain requirements are met, a corporation (Distributing) may distribute (i) stock of a controlled corporation (Controlled) to Distributing's shareholders, or (ii) Controlled stock and securities to Distributing's shareholders and security holders, without recognition of gain or loss to, or inclusion of any amount in the income of, the shareholders or security holders.

Section 355(c)(1) provides that no gain or loss is recognized to Distributing upon a distribution of Controlled stock, or stock and securities, to which § 355 (or so much of § 356 as relates to § 355) applies and which is not in pursuance of a plan of reorganization.

In a reorganization under §§ 355 and 368(a)(1)(D) (Divisive Reorganization), Distributing transfers property to Controlled in exchange for consideration (§ 361 Consideration). The § 361 Consideration received by Distributing includes Controlled stock and also may include money, securities or other debt obliga-

tions of which Controlled is the obligor, and other property. Controlled also may assume liabilities of Distributing. To complete the Divisive Reorganization, Distributing distributes the Controlled stock, and possibly other § 361 Consideration, to its shareholders and also may distribute § 361 Consideration in satisfaction of its obligations to holders of its securities or to other creditors.

.02 Prior Revenue Procedures.

(1) *Rev. Proc. 2017-52.* Rev. Proc. 2017-52 provides procedures for requesting private letter rulings regarding Section 355 Transactions.

(2) *Rev. Proc. 2018-53.* Rev. Proc. 2018-53, 2018-43 I.R.B. 667, amplified Rev. Proc. 2017-52 and described the procedures for requesting rulings on issues relating to the assumption or satisfaction of Distributing Debt (as defined therein) in Divisive Reorganizations and the representations, information, and analysis to be submitted in those requests.

(3) *Rev. Proc. 2024-24.* Rev. Proc. 2024-24 superseded Rev. Proc. 2018-53 and modified Rev. Proc. 2017-52 by deleting Representations 2, 4, and 17 through 21 in section 3 of the Appendix. Notice 2024-38, which accompanied Rev. Proc. 2024-24, requested feedback on the procedures set forth in Rev. Proc. 2024-24. Notice 2024-38 also described the then-current views and concerns of the Treasury Department and the IRS relating to certain matters addressed in Rev. Proc. 2024-24 and requested feedback on those matters.

.03 This Revenue Procedure.

Section 3 of this revenue procedure restates the guidance originally provided in section 3 of Rev. Proc. 2018-53. Section 4 of this revenue procedure restates the guidance originally provided in Representations 2, 4, and 17 through 21 in section 3 of the Appendix to Rev. Proc. 2017-52.

SECTION 3. APPLICATION AND PROCEDURES

.01 *Ruling requests to which procedures apply.*

A taxpayer engaging in a Divisive Reorganization may request rulings that no gain or loss will be recognized to Distributing (i) upon Controlled's assumption of liability for an obligation of Distributing (§ 357(a)), and (ii) upon Distributing's receipt of § 361 Consideration and its distribution of the § 361 Consideration to a creditor in satisfaction of Distributing's debt obligation (§§ 361(b) and (c)).

The procedures described in section 3.03 of this revenue procedure apply to a request for a ruling to the extent that a subject of the request is an assumption by Controlled of liability for Distributing Debt or the satisfaction of Distributing Debt with § 361 Consideration. For purposes of this revenue procedure, an obligation is "Distributing Debt" if (a) Distributing is the obligor, and (b) the obligation (i) is evidenced by a debt instrument (defined in § 1.1275-1(d)) that is not a contingent payment debt instrument subject to § 1.1275-4 (Non-contingent Debt Instrument) and (ii) by its terms is payable only in money. (For example, Distributing Debt does not include an obligation that, by its terms, can be satisfied with § 361 Consideration at Distributing's option.)

.02 Ruling requests on similar or related transactions.

The IRS will continue to rule on transactions that are not described in section 3.01 of this revenue procedure but are similar to such transactions. These transactions include assumption or satisfaction of Distributing's obligations that are not Distributing Debt (for example, contingent liabilities) and distributions of § 361 Consideration to Distributing's shareholders. However, this revenue procedure does not describe procedures for requesting such rulings or the representations, information, or analysis that taxpayers requesting such rulings should submit. *See generally* Rev. Proc. 2025-1 and Rev. Proc. 2017-52.

A taxpayer may request rulings regarding assumption or satisfaction of some obligations that are, and of other obligations that are not, Distributing Debt. In this situation, the taxpayer should follow the procedures described in section 3.03 of

¹ Unless otherwise specified, all "section" or "§" references are to sections of the Internal Revenue Code of 1986, as amended (Code) or the Income Tax Regulations (26 CFR part 1).

this revenue procedure with respect to the Distributing Debt and should follow the procedures described in Rev. Proc. 2025-1 and Rev. Proc. 2017-52 with respect to the other obligations. Additional representations, information, and analysis may be required.

.03 Procedures.

In a request for rulings described in section 3.01 of this revenue procedure, the taxpayer should submit (in addition to the representations, information, and analysis described in Rev. Proc. 2025-1 and Rev. Proc. 2017-52) information that describes (1) the Distributing Debt that will be assumed or satisfied (including the relevant terms of the Non-contingent Debt Instruments that evidence the Distributing Debt and the date or dates on which the Distributing Debt was incurred), (2) the § 361 Consideration that will be distributed to creditors in satisfaction of the Distributing Debt, and (3) the transactions that will implement Controlled's assumption of liability for Distributing Debt or Distributing's receipt of § 361 Consideration and its distribution of § 361 Consideration to creditors in satisfaction of Distributing Debt.

The taxpayer should also submit information and analysis to establish that (1) any assumption of Distributing Debt by Controlled will be consideration received by Distributing in the Divisive Reorganization, and (2) any distribution of § 361 Consideration by Distributing to its creditors in satisfaction of Distributing Debt will be in connection with the plan of reorganization.

If, at the time of the first distribution of Controlled stock to Distributing shareholders, the assumption or satisfaction of Distributing Debt is subject to any contingency, the taxpayer should (1) describe each contingency and any alternative transactions and (2) establish that there are one or more substantial business reasons for the plan not being fixed and determined at that time. Documentation of such business reasons should be submitted only if requested.

In addition, the taxpayer should submit the representations, information, and analysis set forth in section 3.04 of this revenue procedure.

.04 Representations, information, and analysis.

The representations, information, and analysis described in paragraphs (1) through (8) of this section 3.04 should be submitted. With respect to these representations, the taxpayer should not follow the procedures in section 3.04 of Rev. Proc. 2017-52. Instead, the taxpayer should set forth each applicable representation and the additional information and analysis described in this section 3.04. If the taxpayer believes that any of the representations is not applicable, the taxpayer should explain its rationale for this belief.

If the taxpayer is unable to submit an applicable representation in the form set forth in this section 3.04 (Standard Representation), the taxpayer should submit (1) an explanation for its inability to provide the Standard Representation and (2) the rationale supporting the issuance of each relevant requested ruling in the absence of the Standard Representation. If appropriate, the taxpayer should submit (1) a modified representation that addresses the same matter, (2) an explanation of the modification, and (3) the rationale supporting the issuance of each relevant requested ruling, taking into account the modified Standard Representation.

The representations in this section 3.04 use terms defined in this revenue procedure. The taxpayer should include in its request either (1) definitions of these terms that are consistent with the definitions in this revenue procedure or (2) a statement to the effect that these terms have the meanings set forth in this revenue procedure.

(1) *Distributing as obligor in substance.* Submit the following **REPRESENTATION**: *Distributing is in substance the obligor of each Distributing Debt that will be assumed or satisfied.* With respect to any such Distributing Debt, the taxpayer should submit information regarding any co-obligation, guarantee, indemnity, surety, make-well, keep-well, or similar arrangement, including security provided by any person other than Distributing. The taxpayer also should submit information and analysis to establish that, taking into account any such arrangement, Distributing is in substance the obligor of such Distributing Debt.

(2) *Holder not a Related Person.* Submit the following **REPRESENTATION**: *No holder of Distributing Debt that will*

be assumed or satisfied is a person related to Distributing or Controlled within the meaning of § 267(b) or 707(b)(1) (Related Person). If a holder is a Related Person, the taxpayer should establish that the § 361 Consideration received by the Related Person will be used to satisfy an obligation that is evidenced by a Non-contingent Debt Instrument and is held by a person other than a Related Person. The taxpayer also should submit information and analysis to address any potential application of the consolidated return regulations, including § 1.1502-13(g).

(3) *Holder of Distributing Debt.* Submit the following **REPRESENTATION**: *The holder of Distributing Debt that will be assumed or satisfied will not hold the debt for the benefit of Distributing, Controlled, or any Related Person.* A collateral benefit received by Distributing from an arrangement with an intermediary (for example, facilitation of exchanges of § 361 Consideration for Distributing Debt) will not be treated as the intermediary holding Distributing Debt for the benefit of Distributing, Controlled, or a Related Person. If an intermediary will acquire pre-existing Distributing Debt from any person, and such Distributing Debt will be satisfied with § 361 Consideration, submit the following additional **REPRESENTATIONS**: *[Name of intermediary] will not acquire Distributing Debt from Distributing, Controlled, or any Related Person. Neither Distributing, nor Controlled, nor any Related Person will participate in any profit gained by [name of intermediary] upon an exchange of § 361 Consideration; nor will any such profit be limited by agreement or other arrangement. The value of the § 361 Consideration received by [name of intermediary] in satisfaction of the Distributing Debt will not exceed the amount to which the holder is entitled under the terms of the Distributing Debt.* The taxpayer should describe any co-obligation, guarantee, indemnity, surety, make-well, keep-well, or similar arrangement, including additional security, provided to the intermediary by Distributing, Controlled, or any Related Person for risk of loss with respect to the Distributing Debt.

(4) *Distributing Debt as historic debt.* Submit the following **REPRESENTATION**: *Distributing incurred the Distributing Debt that will be assumed or satisfied*

uting Debt that will be assumed or satisfied (a) before the request for any relevant ruling is submitted and (b) no later than 60 days before the earliest of the following dates: (i) the date of the first public announcement (as defined in § 1.355-7(h)(10)) of the Divisive Reorganization or a similar transaction, (ii) the date of the entry by Distributing into a binding agreement to engage in the Divisive Reorganization or a similar transaction, and (iii) the date of approval of the Divisive Reorganization or a similar transaction by the board of directors of Distributing. A transaction is a similar transaction if it would have effected a direct or indirect separation of all, or a significant portion of, the same assets as the Divisive Reorganization that is the subject of the taxpayer's ruling request (cf. § 1.355-7(h)(12) and (13) (describing the terms "similar acquisition (not involving a public offering)" and "similar acquisition involving a public offering," respectively)). If Distributing incurred or will incur any of the Distributing Debt that will be assumed or satisfied at a later time, the taxpayer should establish that, based on all the facts and circumstances, the borrowing and the assumption or satisfaction of such Distributing Debt will result in an allocation of historic Distributing Debt between Distributing and Controlled or an exchange of historic Distributing Debt for Controlled stock. As one example, the taxpayer may establish that the proceeds of the more-recently incurred Distributing Debt were used to satisfy other Distributing Debt that was incurred no later than the time described in the representation in this section 3.04(4) (cf. Rev. Rul. 79-258, 1979-2 C.B. 143 (in connection with a Divisive Reorganization, Controlled's assumption of liability for debt newly issued by Distributing to replace historic debt incurred in connection with the business to be transferred to Controlled did not cause § 357(b) to apply to the assumption)). As another example, the taxpayer may establish that the proceeds of the Distributing Debt assumed or satisfied were or will be used in Controlled's business.

(5) *Historic average.* Submit the following **REPRESENTATION:** *The total adjusted issue price (determined under § 1.1275-1(b)) of Distributing Debt that will be assumed or satisfied does not*

exceed the historic average of the total adjusted issue price of (a) Distributing Debt owed to persons other than Related Persons and (b) obligations that are evidenced by Non-contingent Debt Instruments and are owed by other members of Distributing's separate affiliated group (within the meaning of § 355(b)(3)(B)) to persons other than Related Persons. The historic average of total adjusted issue price should be determined based on debt outstanding as of the close of the eight fiscal quarters that ended or will end immediately before the date of approval of the Divisive Reorganization by the board of directors of Distributing.

(6) *Delayed satisfaction of Distributing Debt.* If applicable, submit the following **REPRESENTATIONS:** *There are one or more substantial business reasons for any delay in satisfying Distributing Debt with § 361 Consideration beyond 30 days after the date of the first distribution of Controlled stock to Distributing's shareholders. All the Distributing Debt that will be satisfied with § 361 Consideration will be satisfied no later than 180 days after such distribution.* The taxpayer should submit information and analysis to establish the substantial business reasons for any delay in satisfying Distributing Debt after the 30-day period beginning on the date of the first distribution of Controlled stock to Distributing's shareholders. If satisfaction of any Distributing Debt with § 361 Consideration will occur more than 180 days after the date of such first distribution, the taxpayer should submit information and analysis to establish that, based on all the facts and circumstances, the satisfaction will be in connection with the plan of reorganization. Documentation of the matters described in this section 3.04(6) should be submitted only if requested.

(7) *No replacement of Distributing Debt.* Submit the following **REPRESENTATION:** *Distributing will not replace any Distributing Debt that will be assumed or satisfied with previously committed borrowing, other than borrowing in the ordinary course of business pursuant to a revolving credit agreement or similar arrangement.* The purpose of this representation is to establish that the application of § 361 to the proposed transactions is consistent with the purposes of § 361. If Distributing is a prospective

borrower under a revolving credit agreement or similar arrangement, the taxpayer should submit information and analysis to establish that the agreement or arrangement was not entered into, and amounts of borrowing provided for therein were not increased, in a transaction related to the Divisive Reorganization.

(8) *General information and analysis.* Submit information and analysis to establish that, under general principles of tax law, the transactions (including any exchange facilitated by an intermediary) should not be recast, recharacterized, or otherwise treated as one or more transactions that would not qualify under the relevant provisions of the Code.

SECTION 4. ADDITIONAL APPLICATION AND PROCEDURES

.01 *Ruling requests to which procedures apply.*

The procedures described in section 4.02 of this revenue procedure apply to a request for rulings for a Section 355 Transaction. For purposes of this section 4, any defined term has the meaning provided in section 2 of the Appendix to Rev. Proc. 2017-52.

.02 *Procedures.*

In a request for rulings described in section 4.01 of this revenue procedure, the taxpayer should submit the documentation, factual information, legal analysis, and representations set forth in Rev. Proc. 2025-1 and Rev. Proc. 2017-52. In addition, the taxpayer should submit the representations described in section 4.03 of this revenue procedure.

.03 *Representations, information, and analysis.*

The representations, information, and analysis described in paragraphs (1) through (6) of this section 4.03 should be submitted. With respect to these representations, the taxpayer should follow the procedures in section 3.04 of Rev. Proc. 2017-52.

(1) *Control requirements.* Submit the following **REPRESENTATIONS:** *In the Distribution, Distributing will distribute on the same day all the stock and securities of Controlled that it holds immediately before the Distribution. No indebtedness owed by Controlled to Distributing after the Distribution will constitute stock*

or securities of Controlled or any other entity.

(2) *Section 357(b)*. Submit the following **REPRESENTATION**: *Any Liabilities assumed (within the meaning of § 357(d)) by Controlled were incurred in the ordinary course of business and are associated with any assets transferred.*

(3) *Sections 357(c) and 361(b)(3)*. Submit the following **REPRESENTATION**: *The total adjusted basis and the fair market value of assets transferred by Distributing to Controlled will each equal or exceed the sum of (a) the total amount of the Liabilities assumed (within the meaning of § 357(d)) by Controlled, and (b) the total amount of any money and the fair market value of other property, if any, received by Distributing and transferred to its shareholders and its creditors.*

(4) *Sections 361(b)(3) and (c)(3)*. Submit the following **REPRESENTATION**: *Any Other Property issued or transferred by Controlled to Distributing in pursuance of the plan of reorganization will be transferred by Distributing to its shareholders in pursuance of the plan of reorganization or to its creditors in connection with the reorganization.*

(5) *Controlled securities*. Submit the following **REPRESENTATION**: *Any securities issued by Controlled to Distributing in pursuance of the plan of reorganization will be transferred by Distributing to its shareholders in pursuance of the plan of reorganization or to its creditors in connection with the reorganization.*

(6) *Solvency of Distributing and Controlled*. Submit the following **REPRESENTATION**: *Immediately after the transaction, the fair market value of the assets of each of Distributing and Controlled will exceed the amount of its Liabilities.*

SECTION 5. MODIFICATIONS TO REVENUE PROCEDURE 2025-1

Rev. Proc. 2025-1 is modified as follows with respect to requests for private letter rulings postmarked or, if not mailed, received by the IRS after, September 29, 2025:

.01 *Section 7.01(2)(a)*.

(1) *First paragraph*. Section 7.01(2)(a) of Rev. Proc. 2025-1 is modified by deleting the second sentence of the first

paragraph and adding the following in its place:

But see section 3.02 of Rev. Proc. 2017-52, 2017-41 I.R.B. 283, and sections 3.03 and 4.02 of Rev. Proc. 2025-30, 2025-42 I.R.B. 489, for requirements relating to ruling requests under § 355.

(2) *Second paragraph*. Section 7.01(2)(a) of Rev. Proc. 2025-1 is further modified by deleting the second paragraph and adding the following in its place:

If the request concerns a corporate distribution, reorganization, or similar transaction, the corporate balance sheet and profit and loss statement also should be submitted. If the request relates to a prospective transaction, the most recent balance sheet and profit and loss statement should be submitted. *See* section 3.02 of Rev. Proc. 2017-52, and sections 3.03 and 4.02 of Rev. Proc. 2025-30, for requirements relating to ruling requests under § 355.

.02 *Appendix F*. Section .01 of Appendix F to Rev. Proc. 2025-1 is modified as follows:

(1) In the column titled REVENUE PROCEDURE AND NOTICE, in the text corresponding to “Subchapter C—Corporate Distributions, Adjustments, Transfers, and Reorganizations” found in the column CODE OR REGULATION SECTION, by deleting the text and adding the following text in its place:

Rev. Proc. 77-37, 1977-2 C.B. 568, as amplified by Rev. Proc. 77-41, 1977-2 C.B. 574, and Rev. Proc. 83-81, 1983-2 C.B. 598, and as modified by Rev. Proc. 89-30, 1989-1 C.B. 895 (*see also* Rev. Proc. 2025-3, this Bulletin), Rev. Proc. 84-42, 1984-1 C.B. 521 (superseded, in part, as to no-rule areas by Rev. Proc. 2018-3), Rev. Proc. 86-42, 1986-2 C.B. 722, Rev. Proc. 89-50, 1989-2 C.B. 631, Rev. Proc. 2017-52, 2017-41 I.R.B. 283, and Rev. Proc. 2025-30, 2025-42 I.R.B. 489.

(2) In the column titled REVENUE PROCEDURE AND NOTICE, in the text corresponding to “355 Checklist questionnaire” found in the column CODE OR REGULATION SECTION, by deleting

the text and adding the following text in its place:

Rev. Proc. 2017-52, 2017-41 I.R.B. 283, and Rev. Proc. 2025-30, 2025-42 I.R.B. 489.

SECTION 6. MISCELLANEOUS

Taxpayers and their advisers are encouraged to contact the Office of Associate Chief Counsel (Corporate) with questions and comments regarding these matters. Taxpayers seeking rulings described in section 3.01 or 4.01 of this revenue procedure are encouraged to request pre-submission conferences. *See* section 10.07 of Rev. Proc. 2025-1.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Notice 2024-38 is revoked. With respect to requests for private letter rulings postmarked or, if not mailed, received by the IRS after September 29, 2025, Rev. Proc. 2025-1 and Rev. Proc. 2017-52 are modified, and Rev. Proc. 2024-24 is superseded.

SECTION 8. EFFECTIVE DATE

This revenue procedure will apply to all ruling requests postmarked or, if not mailed, received by the IRS after September 29, 2025. If a ruling request described in section 3.01 or 4.01 of this revenue procedure is pending on such date, the taxpayer may consider a supplemental submission with the representations, information, and analysis described in sections 3.04 and 4.03 of this revenue procedure (to the extent this material has not been submitted).

SECTION 9. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or

sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number assigned by OMB.

The collections of information in this revenue procedure are in sections 3 and 4. This information is required to determine whether a taxpayer would qualify for tax-free treatment to the extent allowed under §§ 357 and 361. The collections of information are required to obtain a benefit. The likely respondents are corpora-

tions that control another corporation, as well as the management of the corporation the stock of which is distributed or that controls the corporation the stock of which is being distributed. These collection requirements supplement the existing collection requirement in Rev. Proc. 2025-1, which is included in the OMB Control Number 1545-1522.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal

revenue tax law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

SECTION 10. DRAFTING INFORMATION

The principal author of this revenue procedure is Grid Glyer of the Office of Associate Chief Counsel (Corporate). For further information regarding this revenue procedure, please contact Mr. Glyer at (202) 317-3181.

Part IV

Notice of Proposed Rulemaking

Preparer Tax Identification Number (PTIN) User Fee Update

REG-108673-25

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: In the Rules and Regulations section of this issue of the *Federal Register*, the Department of the Treasury (Treasury Department) and the IRS are issuing interim final regulations that amend the current regulations to reduce from \$11 to \$10 the amount of the user fee imposed on tax return preparers to apply for or renew a preparer tax identification number (PTIN).

DATES: Electronic or written comments and requests for a public hearing must be received by October 30, 2025.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-108673-25) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the “Comments and Requests for a Public Hearing” section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Treasury Department and the IRS will publish for public availability any comments submitted to the IRS’s public docket. Send paper submissions to: CC:PA:01:PR (REG-108673-25), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Jamie Song at (202) 317-

6845; concerning cost methodology, Maria E. Arias-Buchanan at (202) 803-9569; concerning submissions of comments or requests for a public hearing, the Publications and Regulations Section at (202) 317-6901 (not toll-free numbers) or by email at publichearings@irs.gov (preferred).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Interim final regulations in the Rules and Regulations section of this issue of the *Federal Register* amend regulations under 26 CFR part 300 setting a user fee for individuals who apply for or renew a PTIN. The Independent Offices Appropriation Act of 1952 (IOAA), which is codified at 31 U.S.C. 9701, authorizes agencies to prescribe regulations that establish user fees for services provided by the agency. The IOAA provides that regulations implementing user fees are subject to policies prescribed by the President; these policies are set forth in the Office of Management and Budget Circular A-25, 58 FR 38142 (July 15, 1993).

The text of the interim final regulations also serves as the text of these proposed regulations. The preamble to the interim final regulations explains the interim final regulations and these proposed regulations.

Special Analyses

I. Regulatory Planning and Review

These proposed regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (July 4, 2025) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations.

II. Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these proposed regulations will not have a significant economic impact on a substantial number of small entities. These proposed regulations affect individuals who prepare or assist in preparing all

or substantially all of a tax return or claim for refund for compensation. Only individuals, not businesses, can have a PTIN. Thus, the economic impact of these regulations on any small entity generally will be a result of an individual tax return preparer who is required to have a PTIN owning a small business or a small business otherwise employing an individual tax return preparer who is required to have a PTIN. The Treasury Department and the IRS estimate that approximately 915,437, 942,900, and 971,187 individuals will apply annually for an initial or renewal PTIN in fiscal years 2026, 2027, and 2028, respectively. Although the interim final regulations will likely affect a substantial number of small entities, the economic impact on those entities is not significant. The interim final regulations will establish a \$10 user fee per application or renewal (plus \$8.75 payable directly to the contractor), which is a reduction from the previously established user fee and will not have a significant economic impact on a small entity. Accordingly, the Secretary of the Treasury (or the Secretary’s delegate) certifies that the rule will not have a significant economic impact on a substantial number of small entities, and a regulatory flexibility analysis is not required.

III. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 (UMRA) requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million in 1995 dollars, updated annually for inflation. This rule does not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

IV. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local gov-

ernments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These proposed regulations do not have federalism implications and do not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

V. Submission to Small Business Administration

Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking has been submitted to the Chief Counsel of the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Consideration will be given to comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed regulations. Any comments submitted will be made available at <https://www.regulations.gov> or upon request.

A public hearing will be scheduled if requested in writing by any person who timely submits electronic or written comments. Requests for a public hearing are also encouraged to be made electronically. If a public hearing is scheduled, notice of the date and time for the public hearing will be published in the *Federal Register*.

Drafting Information

The principal author of these regulations is Jamie Song, Office of the Associate Chief Counsel (Procedure and Administration). Other personnel from the Treasury Department and the IRS participated in the development of the regulations.

List of Subjects in 26 CFR Part 300

Estate taxes, Excise taxes, Fees, Gift taxes, Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and IRS propose to amend 26 CFR part 300 as follows:

PART 300—USER FEES

Paragraph 1. The authority citation for part 300 continues to read as follows:

Authority: 31 U.S.C. 9701.

Par. 2. Section 300.11 is amended by revising paragraphs (b) and (d) to read as follows:

§300.11 Fee for obtaining a preparer tax identification number.

* * * * *

(b) [The text of proposed § 300.11(b) is the same as the text of § 300.11(b) in the interim final rule published elsewhere in this issue of the *Federal Register*].

* * * * *

(d) [The text of proposed § 300.11(d) is the same as the text of § 300.11(d) in the interim final rule published elsewhere in this issue of the *Federal Register*].

Edward T. Killen,

Acting Chief Tax Compliance Officer.

(Filed by the Office of the Federal Register September 29, 2025, 8:45 a.m., and published in the issue of the Federal Register for September 30, 2025, 90 FR 46777)

Notice of Proposed Rulemaking

Occupations that Customarily and Regularly Received Tips; Definition of Qualified Tips

REG-110032-25

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and public hearing.

SUMMARY: This document contains proposed regulations that identify occu-

pations that customarily and regularly received tips on or before December 31, 2024, and provide a definition of “qualified tips” for purposes of the income tax deduction for qualified tips. These proposed regulations affect individuals who receive tips as part of their occupation.

DATES: Written or electronic comments must be received by October 22, 2025. The public hearing is being held on October 23, 2025, at 10 a.m. Eastern Time (ET). Requests to speak and outlines of topics to be discussed at the public hearing must be received by October 22, 2025. If no outlines are received by October 22, 2025, the public hearing will be cancelled. Requests to attend the public hearing must be received by 5 p.m. ET on October 21, 2025.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-110032-25) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the “Comments and Public Hearing” section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments submitted to the IRS’s public docket. Send paper submissions to: CC:PA:01:PR (REG-110032-25), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT: Concerning these proposed regulations, Stephanie Caden or Andrew Holubeck at (202) 317-4774; concerning submission of comments or the public hearing, please contact Publications and Regulations Section at (202) 317-6901 (not toll-free numbers) or by email at publichearings@irs.gov (preferred).

SUPPLEMENTARY INFORMATION:

Authority

This notice of proposed rulemaking contains proposed amendments that would add new regulations to the Income

Tax Regulations (26 CFR part 1) under section 224 of the Internal Revenue Code (Code) related to the deduction for qualified tips. The proposed regulations are issued under the authority conferred by section 70201(h) of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), which requires that, not later than 90 days after the date of the enactment of the OBBBA, the Secretary of the Treasury or the Secretary's delegate (Secretary) publish a list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of section 224(d)(1) of the Code. The proposed regulations are also issued under the authority in section 224(d)(2) (C), which provides that "qualified tips" do not include any amount received by an individual unless such other requirements as may be established by the Secretary in regulations or other guidance are satisfied, and section 224(g) of the Code, which instructs the Secretary to prescribe such regulations or other guidance as may be necessary to prevent reclassification of income as qualified tips, including regulations or other guidance to prevent abuse of the deduction allowed by section 224. In addition, the proposed regulations are also issued under the authority of section 7805(a) of the Code, which authorizes the Secretary to prescribe all needful rules and regulations for the enforcement of the Code, including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.

Background

Under section 61(a), amounts received by individuals as tips are included in gross income and subject to income tax. Treasury regulations under section 61 provide that "[w]ages, salaries...[and] tips... are income to the recipients unless excluded by law." *See* § 1.61-2(a).¹

Section 63(a) defines taxable income as gross income minus allowable deduc-

tions (other than the standard deduction). Section 63(b) provides that, in the case of an individual who does not elect to itemize deductions for the taxable year, taxable income means adjusted gross income reduced by the standard deduction and certain other enumerated deductions.

Section 70201(a) of the OBBBA added new section 224 to the Code providing an income tax deduction for "qualified tips" that are received during the taxable year by individuals in an occupation that customarily and regularly received tips on or before December 31, 2024. Section 70201(b) of the OBBBA added the deduction provided by section 224 to the list of deductions used to determine taxable income in section 63(b). Specifically, section 224(a) provides for a deduction in an amount equal to the qualified tips received by an individual in a taxable year that are included on statements² furnished to the individual pursuant to section 6041(d)(3), section 6041A(e)(3), section 6050W(f)(2), or section 6051(a)(18), or are reported by the taxpayer on Form 4137 (or successor). Section 224(b)(1) limits this deduction to an amount not to exceed \$25,000 in a taxable year. Section 224(b)(2) further limits the amount of the deduction based on a taxpayer's modified adjusted gross income, which is a taxpayer's adjusted gross income for the taxable year increased by any amount excluded from gross income under section 911, section 931, or section 933. The deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

Section 224(c) provides that, in the case of qualified tips received by an individual during any taxable year in the course of a trade or business (other than the trade or business of performing services as an employee) of such individual, such qualified tips are taken into account under section 224(a) only to the extent that the gross income for the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of the deductions allocable to the

trade or business in which such qualified tips are received by the individual for such taxable year.

Section 224(d)(1) defines "qualified tips" as cash tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary. Section 224(d)(2) further requires that qualified tips not include any amount received by an individual unless the amount:

- Is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor;
- Is not received in the course of a trade or business that is a specified service trade or business as defined in section 199A(d)(2) of the Code; and
- Satisfies such other requirements as may be established by the Secretary in regulations or other guidance.

Section 224(d)(2) further provides that, for purposes of determining whether amounts received in the course of a trade or business is a specified trade or business as defined in section 199A(d)(2), in the case of an individual receiving tips in the trade or business of performing services as an employee, such individual is treated as receiving tips in the course of a trade or business which is a specified service trade or business if the trade or business of the employer is a specified service trade or business.

Section 224(d)(3) provides that for purposes of section 224(d)(1), the term "cash tips" includes tips received from customers that are paid in cash or charged and, in the case of an employee, tips received under any tip-sharing arrangement.

Section 224(e) provides that no deduction is allowed under section 224 unless the taxpayer includes on the return of tax for the taxable year such individual's Social Security number (SSN) as defined in section 24(h)(7) of the Code.

Section 224(f) provides that if the taxpayer is a married individual (within the meaning of section 7703), section 224

¹ Under section 3121(q), tips are also considered wages for Federal Insurance Contributions Act (FICA) purposes. However, the deduction under section 224 does not apply for FICA purposes and is not taken into account in determining wages subject to FICA tax. Similarly, the deduction under section 224 does not apply for Self-Employment Contributions Act (SECA) purposes and is not taken into account for purposes of determining net earnings subject to SECA tax.

² The House Budget Committee report on the OBBBA, H. Rept. 119-106, at 1503 (2025), specifies that the qualified tip amounts included on reporting statements (for example, Form 1099) must be separately accounted for on the statements.

applies only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year. That is, the deduction is not available for a taxpayer who is married and files separately.

Section 224(h) provides that no deduction is allowed under section 224 for any taxable year beginning after December 31, 2028.

Section 70201(h) of the OBBBA instructs the Secretary to publish a list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of section 224(d) (1) no later than 90 days after the date the OBBBA was enacted (July 4, 2025).

The Council of Economic Advisors (CEA) released a report in June 2025, entitled "The One Big Beautiful Bill: Legislation for Historic Prosperity and Deficit Reduction," that estimates the economic effects and fiscal impacts of OBBBA. In this report CEA estimates that the no tax on tips provision of OBBBA will increase average take-home pay for tipped workers by \$1,300 per year. CEA also estimates that the provisions for no tax on overtime, no tax on tips, and senior tax relief will boost Gross Domestic Product by 0.3 to 0.4 percent while they are in effect and the growth that they generate will yield \$54 to \$73 billion in higher revenue to offset the direct revenue losses attributable to these provisions.

Explanation of Provisions

1. *Qualified tips*

Section 224(d)(1) defines "qualified tips" as cash tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary. Consistent with section 224(d), the proposed regulations would define "qualified tips" as amounts received as cash tips by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, subject to certain limitations. The proposed regulations would define cash tips as tips received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrange-

ment, such as a tip pool, that are paid in a cash medium of exchange, including by cash, check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash (such as casino chips), and any other form of electronic settlement or mobile payment application that is denominated in cash. Cash tips would not include items paid in any medium other than cash or charge, such as event tickets, meals, services, or other assets that are not exchangeable for a fixed amount in cash (such as most digital assets). For purposes of these proposed regulations, tips would be amounts paid by customers for services that are in excess of the amount agreed to, required, charged, or otherwise reasonably expected to have to be paid for the services in an arm's length transaction. These definitions are consistent with IRS guidance defining tips for FICA and income tax withholding purposes in §§ 31.3121(a)(12)-1 and 31.3401(a)(16)-1, as well as other IRS guidance concerning tips in Notice 2023-13, 2023-9 I.R.B. 534, and Rev. Rul. 2012-18, 2012-26 I.R.B. 1032.

A. Payments must be voluntary

Section 224(d)(2)(A) provides that "qualified tips" must be paid voluntarily without any consequence in the event of nonpayment, must not be the subject of negotiation, and must be determined by the payor. In Revenue Ruling 2012-18, the IRS applied similar factors in distinguishing tips from non-tip wages, specifically service charges, for FICA and income tax withholding purposes. Revenue Ruling 2012-18 provides that the absence of any of the following factors creates a doubt as to whether a payment is a tip and indicates that the payment may be a service charge: (1) the payment must be made free from compulsion, (2) the customer must have the unrestricted right to determine the amount, (3) the payment should not be the subject of negotiation or dictated by employer policy, and (4) generally, the customer has the right to determine who receives the payment. *See also* Ann. 2012-25, 2012-26 I.R.B. 1058; Rev. Rul. 59-252, 1059-2 C.B. 215. Example A in

Revenue Ruling 2012-18 concludes that an 18% charge automatically added to a bill for a large party is a service charge and not a tip because it was dictated by the employer and was not paid free from compulsion. Consistent with both existing IRS guidance on tips and evolving practices concerning service charges, the proposed regulations would clarify that service charges, automatic gratuities, and other mandatory amounts automatically added to a customer's bill by the vendor or establishment, are not qualified tips for purposes of section 224(d) unless the customer is expressly provided an option to disregard or modify it without consequence.

B. Special rules regarding a specified service trade or business

Section 224(d)(2)(B) provides that qualified tips do not include those received in the course of a trade or business that is a specified service trade or business (SSTB) as defined in section 199A(d) (2). Under section 199A(d)(2), an SSTB is defined as any trade or business (A) involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or (B) that involves the performance of services that consist of investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).³ Treasury regulations in § 1.199A-5(b)(2) further define what it means to perform services in the fields listed in section 199A(d)(2)(A). For example, § 1.199A-5(b)(2)(vi) provides, in part, that the meaning of services performed in the performing arts means "the performance of services by individuals who participate in the creation of performing arts, such as actors, singers, musicians, entertainers, directors, and similar professionals performing services in their capacity as such." The regulations further provide that, "[t]he performance of ser-

³ Section 199A(d)(2) cross references the qualified trade or business definition in section 1202(e)(3)(A), with certain modifications.

vices in the field of performing arts does not include the provision of services that do not require skills unique to the creation of performing arts, such as the maintenance and operation of equipment or facilities for use in the performing arts. . . . [or the] provision of services by persons who broadcast or otherwise disseminate video or audio of performing arts to the public.” The proposed regulations would provide that an amount received by an individual in the course of an SSTB (as defined in section 199A(d)(2) and § 1.199A-5(b)) is not a qualified tip. The Treasury Department and the IRS request comments on the application of the existing rules under § 1.199A-5(b) to the SSTB definition in section 224. Specifically, comments are requested concerning whether the definitions in § 1.199A-5(b) should be refined for section 224 purposes.

Consistent with the flush language in section 224(d)(2), the proposed regulations would also provide that tips received by an employee performing services for the employee’s employer in the course of a specified service trade or business operated by the employer are not qualified tips. The proposed regulations would clarify that this rule applies without regard to whether an owner of the trade or business is able to claim a section 199A deduction. For example, this rule applies if the employer is a corporation, even though corporations are not eligible for the deduction under section 199A.

The proposed regulations would also clarify that this rule applies even if the employee receiving tips in the course of working for an SSTB employer is working in an occupation that customarily and regularly received tips on or before December 31, 2024, for purposes of section 224(d)(1) and is listed in proposed § 1.224-1(f). The proposed regulations would provide examples illustrating this rule.

C. Determining qualified tips for employees who participate in voluntary tip reporting programs with tip rates

Employees who enter into a Tipped Employee Participation Agreement as part of the Tip Rate Determination Agreement (TRDA) program or a Model Gaming Employee Tip Reporting Agreement as part of the Gaming Industry Tip Com-

pliance Agreement (GITCA) program agree to report tips to their employer at or above the tip rate established by their employer for their occupational category. In exchange for the employees’ voluntary agreement to report tips at this agreed upon rate, the IRS provides tip examination protection to the employees for the taxable years in which their agreements were in effect. The proposed regulations would clarify that “qualified tips” include tips reported pursuant to an agreement under the TRDA or GITCA program provided that the participating employee in the TRDA or GITCA program is otherwise eligible for the deduction under section 224, and reports tips using the tip rates established under their agreement. Additionally, the proposed regulations would clarify that an employee participating in the TRDA or GITCA program may report additional qualified tips to the IRS on the Form 4137.

D. Other requirements

Section 224(d)(2) provides that the term “qualified tips” does not include amounts received by an individual unless such other requirements as may be established by the Secretary in regulations or other guidance are satisfied. The proposed regulations would provide that amounts received for services the performance of which is a felony or misdemeanor under applicable law are not qualified tips. In addition, the proposed regulations would provide that amounts received for prostitution services and pornographic activity are not qualified tips. Finally, to prevent reclassification of income as qualified tips, and to prevent abuse of the deduction, the proposed regulations would also provide that a payment is not a qualified tip if the tip recipient has an ownership interest in or is employed by the payor of the tip.

2. Trade or business limitations

Section 224(c) imposes a limitation on a taxpayer who receives tips in the course of a trade or business (other than the trade or business of performing services as an employee). The proposed regulations would restate the statutory limit, which is the difference between the gross income from the taxpayer’s trade or business for

the taxable year minus the sum of deductions (other than the deduction for qualified tips) for that trade or business for the taxable year. The proposed regulations would clarify that the deduction allowed for qualified tips is not taken into account for this purpose because it is not a deduction associated with a trade or business.

3. Social Security numbers and married individuals

The proposed regulations would clarify that a taxpayer must include on the tax return for the taxable year the SSN, within the meaning of section 24(h)(7), of the individual who has received the tips. The proposed regulations would also restate the statutory requirement that a taxpayer who is married, within the meaning of section 7703, must file a joint return with the taxpayer’s spouse to claim the deduction allowed by section 224. The proposed regulations would further clarify that married taxpayers are only required to include the SSN of the taxpayer who has received the qualified tips to claim the deduction, and that an SSN is required of both taxpayers only when both have qualified tips for which they are claiming a deduction.

The proposed regulations would also clarify that the total amount of qualified tips that can be deducted on a return per calendar year is \$25,000 regardless of filing status. After applying the \$25,000 limitation, the proposed regulations would provide that the amount is subject to the phase-out based on the taxpayers’ modified adjusted gross income described in section 224(b)(2).

4. Occupations that customarily and regularly received tips on or before December 31, 2024

Under section 224(d)(1), “qualified tips” are cash tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary. In addition, section 70201(h) of the OBBBA instructs the Secretary to publish a list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of section 224(d)(1).

A. Methodology

The Treasury Department and the IRS drafted the proposed list of occupations that customarily and regularly received tips based on a review of IRS data, legislative history, and survey data regarding tipped occupations and the presence of certain factors demonstrating that those occupations customarily and regularly received tips. Because the Code does not define the phrase “customarily and regularly” regarding tips,⁴ the Treasury Department and the IRS looked to dictionary definitions and other statutory provisions for guidance. The Oxford English dictionary defines the term “customarily” as “[i]n a way that follows customs or usual practices; according to custom; usually; habitually.”⁵ It defines “regularly” as “in conformity to a general rule or established principle; in a steady, predictable, or uniform manner; at fixed times or uniform intervals; repeatedly, without interruption; frequently, often.”⁶

The Fair Labor Standards Act (FLSA) uses the phrase “customarily and regularly” in relation to the FLSA tip credit.⁷ The FLSA defines a “tipped employee” for whom an employer may take a tip credit as “any employee engaged in an occupation in which he customarily and regularly receives more than \$30 a month

in tips.” 29 U.S.C. 203(t). The FLSA further provides that when an employer takes an FLSA tip credit for a tipped employee, the tipped employee must retain all of the tips the employee receives, except that this requirement “shall not be construed to prohibit the pooling of tips among employees who customarily and regularly receive tips.” 29 U.S.C. 203(m)(2)(A).⁸ United States Department of Labor (DOL) regulations provide, in part, that “[t]he phrase ‘customarily and regularly’ signifies a frequency which must be greater than occasional, but which may be less than constant.” 29. CFR 531.57.⁹ DOL guidance also addresses specific occupations in which employees customarily and regularly receive tips within the meaning of the FLSA. For instance, DOL guidance interpreting the FLSA states that servers, counter personnel who serve customers, bellhops, bussers (that is, server helpers), and service bartenders are examples of occupations that “customarily and regularly receive tips” for purposes of the FLSA.¹⁰ In guidance, and in opinion letters based on specific factual scenarios presented, DOL’s Wage and Hour Division (WHD) has looked to the FLSA’s statutory text, its legislative history, and the extent to which employees in the occupation interact with customers to determine whether an employee customarily and

regularly receives tips for purposes of the FLSA. Courts similarly have considered whether an employee is in an occupation that customarily and regularly receives tips for purposes of the FLSA.¹¹ Based on these definitions and the guidance under the FLSA, the Treasury Department and the IRS determined that individuals must have received cash tips more often than occasionally (for example, not only on annual holidays or other celebrations) during a calendar year ending on or before December 31, 2024, in order for the occupation to be an occupation that customarily and regularly received tips on or before December 31, 2024.

With these parameters in mind, the Treasury Department and the IRS reviewed data collected from 2023 Forms W-2, Wage and Tax Statement,¹² and Forms 4137, Social Security and Medicare Tax on Unreported Tip Income, and corresponding income tax returns (Forms 1040) that reported tips in box 7 of Form W-2 (Social Security tips) or on Line 4 of an attached Form 4137. The Treasury Department and the IRS identified occupations listed on income tax returns (as reported on page 2 of Form 1040 next to the taxpayer’s signature) as having customarily and regularly received tips, based on the percentage of wage earners who reported a given occupation in the tax

⁴The Code does use the term “customarily” in section 6053(c)(3). Section 6053(c)(3) requires large food or beverage establishments to allocate tips among “employees performing services during any payroll period who customarily receive tip income.” Section 6053(c)(4) defines the term “large food or beverage establishment” as a trade or business “with respect to which the tipping of employees serving food or beverages by customers is customary.” Regulations under section 6053(c) provide further guidance concerning the term “customary.” Section 31.6053-3(j)(6) excludes “fast food” operation from the definition of “food or beverage operation.” Section 31.6053-3(j)(7) provides that, for purposes of defining “large food or beverage establishments,” tipping would not be considered customary for a cafeteria style operation or for a food or beverage operation where at least 95% of its total sales are nonallocable receipts (defined as carryout sales and sales with service charges). A “cafeteria style operation” is defined in § 31.6053-3(j)(18) as a food or beverage operation which is primarily self-service and in which the total cost of food or beverages selected by a customer is paid prior to the customer’s being seated or is stated on a check provided to the customer prior to the customer’s being seated and is paid by the customer to a cashier.

⁵Oxford University Press. (n.d.). Customarily, adv. In Oxford English dictionary. Retrieved July 31, 2025, from <https://doi.org/10.1093/OED/1071895970>.

⁶Oxford University Press. (n.d.). Regularly, adv., 1.a. In Oxford English dictionary. Retrieved July 31, 2025, from <https://doi.org/10.1093/OED/1195323874>.

⁷Under the FLSA, employers take a tip credit of up to \$5.12 per hour to bring an employee’s total earnings up to the Federal minimum wage amount. See 29 USC 203(m)(2)(A)(i)-(ii); see also Fair Labor Standards Amendments of 1989, Pub. L. 101-157, § 5, 103 Stat. 938, 941 (1989) (requiring employers to pay directly at least “50 percent of the [\$4.25 per hour] minimum wage rate after March 31, 1991”).

⁸The FLSA’s tip credit has several components, including that an employee must be in an occupation in which the employee customarily and regularly receives at least a certain amount per month in tips (more than \$30), retains all tips (except for a pool limited to employees who customarily and regularly receive tips), receives other direct wages, and receives advance notice to qualify as a “tipped employee” for whom an employer may take a tip credit against its minimum wage obligations. See 29 U.S.C. 203(m)(2)(A), (t).

⁹The regulations also provide that “if an employee is in an occupation in which he normally and recurrently receives more than \$30 a month in tips, he will be considered a tipped employee even though occasionally because of sickness, vacation, seasonal fluctuations or the like, he fails to receive more than \$30 in tips in a particular month.” 29 CFR 531.57.

¹⁰See DOL Field Operation Handbook, §30d08. Retrieved August 19, 2025, from <https://www.dol.gov/agencies/whd/field-operations-handbook>; see also WHD Opinion Letter FLSA2009-12 (Jan. 15, 2009); WHD Opinion Letter FLSA2008-18 (Dec. 19, 2008); and WHD Opinion Letter FLSA-858 (June 28, 1985) (concluding that barbacks, itamae-sushi and teppanyaki chefs, and a “wine-server/captain-host,” respectively, could be included in a tip pool with tipped employees for whom the employer took a tip credit).

¹¹See, e.g., *Wai Man Tom v. Hosp. Ventures LLC*, 980 F.3d 1027, 1040 (4th Cir. 2020); *Montano v. Montrose Rest. Assocs., Inc.*, 800 F.3d 186, 191 (5th Cir. 2015) (finding that “[t]he common thread of the cases and the DOL opinion letters is to require a tipped employee to have more than a de minimis interaction with the customers who leave the undesignated tips” for purposes of the FLSA tip credit.); *Myers v. Copper Cellar Corp.*, 192 F.3d 546, 550-51 (6th Cir. 1999); *Kilgore v. Outback Steakhouse of Fla., Inc.*, 160 F.3d 294, 301 (6th Cir. 1998) (noting that restaurant hosts “sufficiently interact with customers in an industry where undesignated tips are common.”).

¹²Section 224(d)(1) specifies that the occupation must have customarily and regularly received tips on or before December 31, 2024. The Treasury Department and the IRS reviewed data for the 2023 tax year because that was the most recent year for which comprehensive income tax return data was available. The Treasury Department and the IRS compared the 2023 tax year data to similar data for 2017-2022. Because 2023 data was similar to prior year data, the Treasury Department and the IRS have reviewed preliminary data for the 2024 tax year and anticipate that final 2024 data will be substantially similar to 2023 data.

return data and also reported at least \$100 in annual tipped income.

The Treasury Department and the IRS next determined that the data was subject to limitations that resulted in under-inclusion because the data was limited to the tax return data of individuals who reported tips to employers and received a Form W-2 or who filed Form 4137. Individuals working in certain occupations, such as rideshare drivers, receive tips but may operate as independent contractors rather than employees, and therefore do not receive a Form W-2 reporting tips, nor do they separately report their tip income for income tax purposes.¹³ Because tips were not separately reported on Forms 1099-NEC, Nonemployee Compensation, 1099-MISC, Miscellaneous Information, or 1099-K, Payment Card and Third Party Network Transactions, certain occupations that received tips were not reflected in the income tax return data. In addition, the Treasury Department and IRS determined that the data may have been overinclusive due to variations in how taxpayers chose to write their occupation on Form 1040. For example, the self-reported occupation may have typographical errors or abbreviations, or taxpayers may have written multiple occupations on their Form 1040, separated by a comma or a slash mark (like “Occupation 1/Occupation 2”).¹⁴ These variations in how taxpayers reported their occupation on Form 1040 made it difficult for the data analysis to capture all taxpayers with a given occupation (in the sense of what job they actually performed, rather than what they wrote on the Form 1040) together. This was particularly problematic for certain occupations that had more variations in how they were reported (for example, server, waitstaff, waitress, waiter).

To account for these limitations, the Treasury Department and the IRS examined occupations identified in the GITCA

program, a voluntary tip reporting program for the gaming industry run by the IRS, and other similar IRS tip reporting programs as occupations that received tips on or before December 31, 2024. *See* Rev. Proc. 2007-32, 2007-22 I.R.B. 1322.¹⁵ The IRS has been collecting tip data through its GITCA program (and other voluntary tip reporting programs) for over 20 years. The GITCA program requires participating employers to provide annual reports to the IRS that contain information regarding employees’ occupational categories, shifts, and outlets; gross receipts subject to food and beverage tipping; and aggregated receipts showing charged tips and reported tips. The occupations identified as having customarily and regularly received tips based on the GITCA data were largely consistent with those identified by the confidential tax return data.

The Treasury Department and the IRS also consulted the House Budget Committee report on the OBBBA, H. Rept. 119-106, at 1502 (2025), for additional information regarding occupations that traditionally and customarily received tips on or before December 31, 2024. In the explanation of the deduction for qualified tips under section 224, the report describes occupations that traditionally and customarily received tips on or before December 31, 2024, as including, but not limited to, restaurant servers, bartenders, taxi drivers, rideshare drivers, food delivery drivers, hairdressers, hairstylists, hotel bellhops, hotel housekeepers, and casino dealers.¹⁶ To the extent those occupations were not already captured by the IRS data, they were added to the list.

Finally, the Treasury Department and the IRS examined survey data from the Panel Study of Income Dynamics that included information on occupations and tip income of both employees and self-employed individuals. The Panel Study of Income Dynamics is a nationally represen-

tative survey conducted by the University of Michigan. It includes questions about the occupation of, and tip income received by, the reference person and the person’s spouse (if they are married). The Treasury Department and the IRS consulted data from surveys conducted in years 2017, 2019, and 2023 (surveys which inquired about tips received in 2016, 2018, and 2022, respectively), which is the most recent data available (except for 2021, which was avoided due to any potential abnormalities related to the COVID-19 pandemic). The occupations identified as having customarily and regularly received tips based on this survey data were largely consistent with those identified by the confidential tax return data.

While reviewing the data, the Treasury Department and the IRS recognized that the occupations identified as having customarily and regularly received tips on or before December 31, 2024, were in service industries, and the individuals working in the occupations either interacted with the customers for whom they were providing a service or, commonly participated in tip-sharing arrangements with individuals who interacted with customers.

In defining “cash tips,” section 224(d)(3) “includes tips received from customers ..., and, in the case of an employee, tips received under any tip-sharing arrangement.” The Treasury Department and the IRS considered the language in section 224(d)(3) to indicate that, for purposes of the deduction for qualified tips under section 224, there is no distinction between employees in occupations receiving tips directly from customers and employees in occupations receiving tips through tip-sharing arrangements with other employees that interact with customers. While certain employees in tip-sharing arrangements may not have extensive, or any, customer interaction, they do assist employees who do interact

¹³ While tip income must be included in the total income that independent contractors report on their income tax returns, independent contractors did not separately report tips on their income tax returns and payors did not separately report tips to payees on Forms 1099.

¹⁴ Taxpayers have a single line to report their occupation on the Form 1040. The 1040 instructions do not address how to report multiple occupations. Some taxpayers reported more than one occupation. Additionally, some taxpayers with multiple jobs only reported one occupation. When analyzing the tax return data, it was sometimes difficult to determine which occupation resulted in the receipt of tips. Therefore, the Treasury Department and the IRS limited the main analysis of the tax return data to taxpayers with only one job by limiting the data to taxpayers who submitted one Form W-2 with their Form 1040, did not file a Schedule C or Schedule F, and reported no active income from a partnership or S corporation on Schedule E.

¹⁵ The GITCA program was established by Rev. Proc. 2003-35, 2003-20 I.R.B. 919, and was updated by Rev. Proc. 2007-32 with a new model GITCA. Revenue Procedure 2020-47, 2020-48 I.R.B. 1121 modified Rev. Proc. 2007-32 to provide that the term of a GITCA is generally five years.

¹⁶ Initial drafts of the OBBBA legislation contemplated a deduction for tips received by individuals in occupations that traditionally and customarily received tips, but this language was later revised to refer to occupations that customarily and regularly received tips.

with customers or otherwise contribute to the overall customer experience. For this reason, the Treasury Department and the IRS have proposed that certain occupations that may not involve direct interactions with customers should still be considered occupations that customarily and regularly received tips if employees in such occupations participated in tip-sharing arrangements such as tip pooling or tip-outs with employees who do interact with customers. For example, dishwashers reported receiving sufficient tips to appear in the IRS data and, even though they do not typically interact with customers, they may sometimes participate in tip-sharing arrangements with employees who do interact with customers (for example, waitstaff). Accordingly, dishwashers are included in the proposed list of occupations that customarily and regularly received tips for purposes of section 224.

The Treasury Department and the IRS recognize that courts and DOL have interpreted the FLSA standard for customarily and regularly somewhat differently, but this interpretation is due to differences in the specific language, purpose, and history of the FLSA tip credit and mandatory tip-sharing arrangement provisions. For instance, the FLSA provides that when an employer takes a tip credit, the employer may only require “the pooling of tips among employees who customarily and regularly receive tips.” 29 USC 203(m)(2)(A). This presumes that the employee has some level of interaction with customers to “customarily and regularly” receive tips under the FLSA.¹⁷ In contrast, section 224(d)(3) specifically defines “cash tips” to include both tips received from customers and, in the case of an employee, tips received under any tip-sharing arrangement.

After compiling the list of occupations that customarily and regularly received tips, the Treasury Department and the IRS

compared the proposed list of occupations that customarily and regularly received tips for purposes of section 224 to occupations contained in the 2018 Standard Occupational Classification (SOC) code. The SOC Code system is published by the Executive Office of the President, Office of Management and Budget (OMB). The SOC Code system is a Federal statistical standard used by Federal agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data.¹⁸ The SOC Code system classifies paid work or work for profit into occupational categories based on the work performed. All workers are classified into one of 867 detailed occupations according to their occupational definition.¹⁹ To facilitate classification, detailed occupations are combined to form 459 broad occupations, 98 minor groups, and 23 major groups.²⁰ Detailed occupations in the SOC with similar job duties, and in some cases skills, education, and/or training, are grouped together. The Treasury Department and the IRS focused on the detailed occupations in the SOC Code system. However, in the process of compiling this list, the Treasury Department and the IRS determined that several of the detailed SOC codes included, *in the same detailed SOC code*, some occupations that customarily and regularly received tips on or before December 31, 2024, and other occupations that did not.²¹

To address the issue of the over-inclusivity of certain SOC codes, the Treasury Department and the IRS created a new categorization system. The descriptions and illustrative examples for the occupation codes in this new system often mirror their SOC code counterparts. However, in situations where the SOC code was overly inclusive, the new system provides an occupation code, description, and illustrative examples that only encompass occupations that customarily and regularly

received tips on or before December 31, 2024.

In addition, in certain situations where multiple detailed SOC codes described occupations that had similar titles, the new system provides an occupation code, description, and illustrative examples that stem from multiple detailed SOC codes. For example, detailed SOC codes for a variety of chefs and cooks were aggregated in the new system into a single occupation code.

Lastly, in certain situations, some detailed SOC codes were split into multiple occupation codes under the new system. For example, chauffeurs were moved from the SOC occupation “Shuttle Drivers and Chauffeurs” to the “Taxi Driver” occupation, thus creating under the new system two occupations: “Taxi and Ride-share Drivers and Chauffeurs” and “Shuttle Drivers.”

B. List of occupations that customarily and regularly received tips on or before December 31, 2024.

The proposed regulations would include the list of occupations that customarily and regularly received tips on or before December 31, 2024 (List of Occupations that Receive Tips), that was compiled based on the methodology described in this preamble. In accordance with statutory language in section 224(d)(1), the proposed regulations would provide that only occupations included in the List of Occupations that Receive Tips are eligible for the deduction in section 224(a).

This List of Occupations that Receive Tips would be organized according to the new categorization system created by the Treasury Department and the IRS specifically for this purpose, as described in this preamble. The specific occupations in the List of Occupations that Receive Tips, each assigned a three-digit code called a

¹⁷ See *Montano v. Montrose Rest. Assocs., Inc.*, 800 F.3d 186, 189 (5th Cir. 2015) (noting that “[i]t would be circular” to interpret the FLSA to mean that if an employer requires a tipped employee to give another employee tips, that employee customarily and regularly receives tips for purposes of 29 USC 203(m)(2)(A)’s tip pooling limitation).

¹⁸ Office of Management and Budget. (2018). Standard Occupational Classification Manual. U.S. Government Publishing Office. This manual and other related SOC documents can be found at <https://www.bls.gov/soc>.

¹⁹ *Id.*

²⁰ *Id.*

²¹ For instance, the SOC Code for “Animal Caretakers,” is described in the 2018 SOC Code System as an occupation in which individuals “provide care to promote and maintain the well-being of pets and other animals that are not raised for consumption.” More specific occupations that would fall under this description include both pet caretakers and zookeepers. Pet caretakers customarily and regularly receive tips. Zookeepers, on the other hand, do not. Thus, if the “Animal Caretakers” SOC code were included in the list of occupations that customarily and regularly receive tips, then zookeepers would become part of the list via their corresponding SOC code, even though they do not customarily and regularly receive tips.

“Treasury Tipped Occupation Code” or “TTOC” would be grouped together in the following more general occupational categories:

100s – Beverage and Food Service
200s – Entertainment and Events
300s – Hospitality and Guest Services
400s – Home Services
500s – Personal Services
600s – Personal Appearance and Wellness
700s – Recreation and Instruction
800s – Transportation and Delivery

The List of Occupations that Receive Tips also provides the “TTOC Occupation Title” for each occupation code, a short description of the types of services performed by individuals working in an occupation included in this occupation code, illustrative examples of specific occupations that would be included under the occupation code, and the related SOC System Code(s).

Proposed Applicability Dates

These regulations are proposed to apply for taxable years beginning after December 31, 2024. Taxpayers may rely on these proposed regulations for taxable years beginning after December 31, 2024, and on or before the date these regulations are published as final regulations in the **Federal Register**, provided that taxpayers follow these proposed regulations in their entirety and in a consistent manner.

Special Analyses

I. Regulatory Planning and Review—Economic Analysis

Executive Orders 12866 and 13563 direct agencies to assess costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility.

The proposed regulations have been designated by the OMB’s Office of Information and Regulatory Affairs (OIRA) as subject to review under Executive Order 12866 pursuant to the Memorandum of Agreement (MOA, July 4, 2025) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations. OIRA has determined that the proposed rulemaking is economically significant under section 3(f)(1) of Executive Order 12866 and subject to review under Executive Order 12866 and section 1(c) of the Memorandum of Agreement. Accordingly, the proposed regulations have been reviewed by OMB.

Need for Regulation

Section 70201 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), adds new section 224 to the Internal Revenue Code,²² which provides an income tax deduction for “qualified tips” that are reported on Internal Revenue Service (IRS) returns and various forms. The statute requires, under section 70201(h) of the OBBBA, that not later than 90 days after the date of enactment of OBBBA, the Secretary of the Treasury or the Secretary’s delegate (Secretary) publish a list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of defining the term “qualified tips” under section 224(d)(1).

The proposed regulations clarify the definition of “qualified tips” for purposes of the income tax deduction under section 224. As required by section 70201(h) of the OBBBA, the proposed regulations also provide the list of occupations that customarily and regularly received tips on or before December 31, 2024 (List of Occupations that Receive Tips). The purpose of these proposed regulations is to provide guidance on requirements of section 224 to claim the deduction, including the definition of “cash tips;” determinations of whether the tips received were in the course of a trade or business which is a specified service trade or business; the requirement for the taxpayer to include

on the tax return for the taxable year such individual’s Social Security number (SSN); and the requirement that if the taxpayer is married (within the meaning of section 7703), section 224 applies only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year. The proposed regulations also clarify that the deduction is limited to \$25,000, regardless of the taxpayer’s filing status, and that the deduction is reduced based on the taxpayer’s modified adjusted gross income for that taxable year after applying the \$25,000 limitation.

I. The Statute and Proposed Regulations

For taxable years beginning after December 31, 2024, and before January 1, 2029, employees and self-employed individuals may deduct qualified tips from their gross income when calculating their Federal income tax liability. Section 224(d)(1) defines the term “qualified tips” to mean cash tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary.

Section 224(d)(3) defines the term “cash tips” for the purposes of section 224(d)(1) to include tips received from customers that are paid in cash or charged and, in the case of an employee, tips received under any tip-sharing arrangement. The proposed regulations clarify that “cash tips” are amounts received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement that are paid in a cash medium of exchange, including by check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash (such as casino chips), and any other form of electronic settlement or mobile payment application that is denominated in cash. Cash tips do not include items paid in any medium other than cash or charge, such as event tickets, meals, services, or other assets that are not exchangeable for a fixed amount in cash (such as most digital assets).

Section 224(a) allows qualified tips to be deducted if they are included on Form

²² References to a “section” are to a section of the Internal Revenue Code of 1986, as amended (Code), unless otherwise indicated.

W-2, “Wage and Tax Statement;” Form 1099-NEC, “Nonemployee Compensation;” Form 1099-K, “Payment Card and Third Party Network Transactions;” Form 1099-MISC, “Miscellaneous Information;” or Form 4137, “Social Security and Medicare Tax on Unreported Tip Income.” Employees that enter a Tipped Employee Participation Agreement as part of the IRS Tip Rate Determination Agreement (TRDA) program or a Model Gaming Employee Tip Reporting Agreement as part of the IRS Gaming Industry Tip Compliance Agreement (GITCA) program report their tips according to tip rates established under their agreement (and these tips are included on Form W-2). The proposed regulations would clarify that the term “qualified tips” for employees participating in the TRDA or GITCA program includes tips reported using the tip rates established under their agreement and additional tips reported on Form 4137.

The proposed regulations clarify that the section 224(d)(2)(A) term “qualified tips” only includes amounts that are paid voluntarily without any consequence in the event of nonpayment, are not the subject of negotiation, and are determined by the payor. The proposed regulations clarify that the section 224(d)(2)(B) term “qualified tips” excludes tips received by an individual who is self-employed in a specified service trade or business (SSTB) as defined in section 199A(d)(2) or by an employee performing services for the employee’s employer in the course of an SSTB operated by the employer. The proposed regulations also clarify that the term “qualified tips” does not include tips that were received while performing a service that is a felony or misdemeanor under applicable law. (However, “qualified tips” may include tips received for a service that is legal but while working for an establishment that violates applicable law in other respects.) In addition, the proposed regulations provide that amounts received for prostitution services and pornographic activity are not included in the definition of “qualified tips.” The proposed regulations also clarify that a payment is not considered a “qualified tip” if the tip recipient has an ownership interest in or is employed by the payor of the tip.

Section 224(c) limits the deduction for qualified tips received by a self-employed

individual to the gross income (including the qualified tips) from the individual’s trade or business minus the sum of the individual’s deductions (other than the deduction for qualified tips) that are allocable to that trade or business. The proposed regulations clarify that the deduction for qualified tips is not included when calculating this limit because it is not a trade or business deduction.

The proposed regulations clarify the requirement in section 224(e) that taxpayers must include their SSN (as defined in section 24(h)(7)) on their tax return to claim the deduction for qualified tips. Taxpayers with an Individual Taxpayer Identification Number (ITIN) rather than an SSN will not be able to use their tips to claim the deduction under section 224. Married taxpayers must include the SSN of the taxpayer who earned the qualified tips that are being used to claim the deduction; if both spouses earned qualified tips for the deduction, then they must include the SSNs of both spouses on their tax return. The proposed regulations clarify section 224(f), which requires married individuals (within the meaning of section 7703) to file a joint tax return for the taxable year to claim the deduction for qualified tips.

Section 224(b)(1) limits the deduction for qualified tips for any taxable year to \$25,000. The proposed regulations clarify that this limitation applies regardless of the taxpayer’s filing status for that taxable year. Under section 224(b)(2)(A), the deduction for qualified tips is reduced (but not below zero) by \$100 for each \$1,000 by which the taxpayer’s modified adjusted gross income (MAGI) exceeds \$150,000 (\$300,000 in the case of a joint return). Section 224(b)(2)(B) defines “modified adjusted gross income” for the purposes of this phaseout as adjusted gross income of the taxpayer for the taxable year plus any amount excluded from gross income under section 911, section 931, or section 933. The proposed regulations clarify that the phaseout based on MAGI is applied after applying the \$25,000 limit to the deduction.

The proposed regulations implement the statutory requirement from section 70201(h) of the OBBBA that the Secretary publish a list of occupations that customarily and regularly received tips on

or before December 31, 2024. For each occupation, the list provides a numeric Treasury Tipped Occupation Code (TTOC), an occupation title, a description of the types of services performed by individuals working in the occupation, illustrative examples of specific occupations that would be included, and the Standard Occupation Classification (SOC) system code(s) that are related to the occupation.

II. Baseline

The Treasury Department and the IRS have assessed the benefits and costs of the proposed regulations relative to a no-action baseline reflecting anticipated Federal income tax-related behavior in the absence of these proposed regulations.

III. Affected Entities and Taxpayers

By providing clarity to the statutory definition of “qualified tips” and publishing the statutorily required list of occupations that customarily and regularly received tips on or before December 31, 2024, the proposed regulations affect taxpayers who wish to claim the deduction for qualified tips on their individual income tax returns beginning in taxable year 2025. Using confidential tax return data, the Treasury Department and the IRS estimate that, in 2026, more than 10 million returns will have tips reported on Form W-2, Form 1099-NEC, Form 1099-K, Form 1099-MISC, or Form 4137.

IV. Economic Effects of the Proposed Regulations

The Treasury Department and the IRS analyzed the economic effects of the proposed regulations in enumerating the list of occupations that customarily and regularly received tips on or before December 31, 2024, the clarification that “qualified tips” excludes tips received while performing services that are misdemeanors or felonies under applicable law, and the clarification that “qualified tips” for employees under tip agreements through the TRDA or GITCA programs include tips reported using the tip rates established under their agreement and additional tips reported on Form 4137. The projected

economic costs and benefits of these proposed regulations are small.

i. List of Occupations that Receive Tips

The proposed regulations enumerate the List of Occupations that Receive Tips, as described in section 70201(h) of the OBBBA. Providing this list will provide clarity for taxpayers who are expected to receive qualified tips. While these clarifications will reduce uncertainty, the Treasury Department and the IRS project that the magnitude of the efficiency gains from publishing these proposed regulations would be small.

a. Methodology

To create the List of Occupations that Receive Tips, the Treasury Department and the IRS examined confidential income tax return data from tax year 2023; data from the GITCA and related programs; the House Budget Committee report on the OBBBA, H. Rept. No. 119-106, at 1502 (2025); guidance and caselaw related to the U.S. Department of Labor (DOL) Fair Labor Standards Act (FLSA); and survey data from the Panel Study of Income Dynamics (PSID) for years 2017, 2019, and 2023 (which asks about the occupation of and tip income received by individuals in 2016, 2018, and 2022, respectively). Based on prior guidance under the FLSA, the Treasury Department and the IRS determined that individuals must have received cash tips more often than occasionally (for example, not only on annual holidays or other celebrations) during a calendar year ending on or before December 31, 2024, in order for their occupation to be considered as having customarily and regularly received tips on or before December 31, 2024.

While reviewing the data, the Treasury Department and the IRS recognized that the occupations identified as having customarily and regularly received tips on or before December 31, 2024, were in the service industry, and the individuals

working in the occupations either interacting with the customers for whom they were providing a service or commonly participated in tip-sharing arrangements with individuals who interacted with customers.

The inclusion of occupations that may not interact with customers but received tips from tip-sharing arrangements with individuals who interacted with customers departs from the interpretation of the term “customarily and regularly received tips” that courts and the DOL have used regarding the FLSA.²³ The prior guidance and court cases related to the FLSA require that the employee has some level of interaction with customers in order to be considered an occupation that customarily and regularly receives tips.²⁴ However, this is due to differences in the specific language, purpose, and history of the FLSA tip credit and mandatory tip-sharing arrangement provisions. For instance, the FLSA provides that when an employer takes a tip credit, the employer may require “the pooling of tips” only among employees who customarily and regularly receive tips, 29 USC 203(m)(2) (A); this presumes that, under the FLSA, an employee is not customarily and regularly tipped merely by virtue of receiving tips from a pool. In contrast, section 224(d)(3) defines “cash tips” to include both tips received from customers and, in the case of an employee, tips received under any tip-sharing arrangement. As a result, occupations in which employees are commonly included in tip-sharing arrangements would be considered as having “customarily and regularly” received tips for purposes of the deduction for qualified tips under section 224.

After identifying the occupations that customarily and regularly received tips on or before December 31, 2024, the Treasury Department and the IRS created a categorization system to organize and define the occupations for purposes of the deduction for qualified tips. Each occupation was assigned a TTOC code, an occupation title, a short description of the types of

services performed by individuals working in the occupation, illustrative examples of specific occupations that would be included under the occupation code, and the related SOC System code(s).

b. Alternative Methods Considered

In addition to the method described above, the Treasury Department and the IRS considered two alternative methods for creating the List of Occupations that Receive Tips. These alternative methods were 1) using the SOC Code System to define occupations and 2) using only the confidential income tax return data to identify occupations that reported tips. These alternative methods both excluded some occupations that customarily and regularly received tips on or before December 31, 2024, and also included some occupations that did not in reality customarily and regularly receive tips on or before December 31, 2024. Therefore, the approach to produce the List of Occupations that Receive Tips included in these proposed regulations was selected over the alternatives described below.

One of the alternative methods that the Treasury Department and the IRS considered to construct the List of Occupations that Receive Tips was to use the occupation definitions from the SOC system.²⁵ However, the Treasury Department and the IRS determined that several of the detailed SOC occupations were not sufficiently detailed to separate occupations that should be included on the List of Occupations that Receive Tips, from those that should not. For example, the SOC code for “Animal Caretakers” is described in the 2018 SOC Code system as an occupation in which individuals “provide care to promote and maintain the well-being of pets and other animals that are not raised for consumption.” The specific occupations that are provided as illustrative examples for this SOC code include both pet caretakers and zookeepers. Pet caretakers provide a service to

²³ See *supra*, Explanation of Provisions, Sec. 4.A.

²⁴ See *Montano v. Montrose Rest. Assocs., Inc.*, 800 F.3d 186, 189 (5th Cir. 2015) (noting that “[i]t would be circular” to interpret the FLSA to mean that if an employer requires a tipped employee to give a second employee tips, that second employee customarily and regularly receives tips for purposes of 29 USC 203(m)(2)(A)’s tip pooling limitation).

²⁵ The SOC Code system is published by the Executive Office of the President, Office of Management and Budget. The SOC Code system is a Federal statistical standard used by Federal agencies to classify workers into occupational categories for the purposes of collecting, calculating, or disseminating data. See Office of Management and Budget. (2018). Standard Occupational Classification Manual. U.S. Government Publishing Office. This manual and other related SOC documents can be found at <https://www.bls.gov/soc>.

individual customers, personally interact with customers, and commonly receive tips on a frequent basis. Therefore, they would be considered an occupation that customarily and regularly receives tips. Zookeepers, on the other hand, provide a service to animals but not directly to customers. Many, if not most, zookeepers do not interact with zoo customers, and zookeepers do not receive tips on a frequent basis. Zookeeper is therefore not an occupation that customarily and regularly received tips. Thus, if the “Animal Care-takers” SOC Code were included in the list of occupations that customarily and regularly received tips, then zookeepers would become part of the list via their corresponding SOC Code, even though they did not customarily and regularly receive tips. Thus, using the SOC system alone was not sufficient for creating the List of Occupations that Receive Tips.

For the method that was selected instead of using the SOC System, the Treasury Department and the IRS created a new categorization system. The descriptions and illustrative examples for the occupation codes in this new system often mirror their SOC code counterparts, and it includes the SOC code(s) that are related to each TTOC occupation. Of the 867 detailed SOC codes in the 2018 SOC Code System, 77 of these codes are related to at least one TTOC occupation.

A second alternative method that the Treasury Department and the IRS considered was to use only confidential income tax return data to identify occupations that customarily and regularly received tips on or before December 31, 2024. This data includes reported tips from Form W-2 and Form 4137 and the occupation that the taxpayer (the primary filer and, if married filing jointly, the spouse) self-reports next to the taxpayer’s signature on Form 1040. Individuals in some occupations, such as rideshare drivers, often operate as independent contractors rather than employees and do not receive Form W-2 or file Form 4137 related to their rideshare activity. Thus, using only the income tax return

data would have omitted these occupations, even though individuals in such occupations did in fact regularly and customarily receive tips on or before December 31, 2024. In addition, the analysis of the income tax return data may have incomplete information on certain occupations due to variations in how taxpayers choose to self-report their occupation on Form 1040. For example, the self-reported occupation may have typographical errors or abbreviations, or taxpayers may write multiple occupations separated by a comma or a slash mark, like “Occupation 1/Occupation 2.”²⁶ These variations in how taxpayers reported their occupation on Form 1040 made it difficult for the data analysis to capture all taxpayers with a given occupation (in the sense of what job they actually performed, rather than what they wrote on the Form 1040) together. This was particularly problematic for certain occupations that have more variations in how they were reported.

Due to these limitations, the Treasury Department and the IRS rejected the method of only using the tax return data to create the List of Occupations that Receive Tips. Instead, the tax return data was supplemented with data from the GITCA and related programs; the House Budget Committee report on the OBBBA, H. Rept. No. 119-106, at 1502 (2025); guidance and caselaw related to the DOL FLSA; and survey data from the PSID.

c. Statistics on Reported Tip Income in Tax Return Data

Table A below contains the List of Occupations that Receive Tips and statistics on their reported tip income. The table is organized by Treasury Tipped Occupation Code (TTOC) and contains the TTOC Occupation Title and the Related Standard Occupation Classification (SOC) System Code(s). (As previously described, the List of Occupations that Receive Tips in Table 1 of the proposed regulations also includes descriptions and illustrative examples of each TTOC occupation.)

Table A summarizes taxpayer information from Tax Year 2023 on employees who have a single job, meaning they received only one Form W-2; did not file Schedule C, “Profit or Loss from Business (Sole Proprietorship),” or Schedule F, “Profit or Loss From Farming;” and did not have non-passive income from a partnership or an S-corporation on Schedule E, “Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, Real Estate Mortgage Investment Conduits, etc.).”²⁷

Table A shows the percentage of individuals within the Related SOC code(s) who have at least \$100 of tips reported on Form W-2 or Form 4137. For example, 82.8 percent of individuals who had the SOC code related to the TTOC Occupation Title of “Bartenders” had at least \$100 of tips reported on Form W-2 or Form 4137.

Table A also shows the amount of reported tips of individuals in the Related SOC code(s) as a percentage of all reported tips. The numerator of the percentage is the amount of reported tips of individuals in the Related SOC code(s) who had any tips reported on Form W-2 or Form 4137. The denominator is the amount of reported tips of all individuals, regardless of whether their occupation could be mapped to a SOC code or if their SOC code is related to a TTOC. For example, 34.2 percent of all reported tips are from individuals who had the SOC code related to the TTOC Occupation Title of “Wait Staff.”

Lastly, Table A shows reported tips as a percent of wage compensation for individuals in Related SOC code(s) who had reported tips. Wage compensation is the sum of wages, tips, and other compensation reported in Box 1 of Form W-2 and unreported tips from line 4 of Form 4137. For example, among individuals with SOC Codes related to the TTOC Occupation Title of “Gambling Dealers” who had reported tips on Form W-2 or Form 4137, reported tips were 70.7 percent of wage compensation.

²⁶ Taxpayers have a single line to report their occupation on the Form 1040. If they have multiple occupations, they may write the occupation for only one of their jobs or they may write multiple occupations. However, when analyzing the tax return data, it would be difficult to determine to which job any reported tips should be assigned when a taxpayer has multiple jobs. Therefore, the Treasury Department and the IRS limited the main analysis of the tax return data to taxpayers with only one job. However, even among this sample, some taxpayers may write both the occupation from their job and a title for a role where they may not receive income, such as “Student/Occupation.”

²⁷ Since tips are reported separately from other compensation for employees but not for self-employed individuals in the current tax return data, these screening criteria that limit the sample to employees with a single job were utilized to better illuminate the link between the self-reported occupations and reported tips.

Table A: Reported Tips of Single-Job Holders, Tax Year 2023					
Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	Percent with Reported Tips ¹	Percent of All Reported Tips ²	Reported Tips as Percent of Wages of Tipped Workers ³	Related Standard Occupational Classification (SOC) System Code
Beverage & Food Service					
101	Bartenders	82.8	9.8	63.4	35-3011
102	Wait Staff	74.6	34.2	63.5	35-3031
103	Food Servers, Nonrestaurant	30.4	0.1	33.0	35-3041
104	Dining Room and Cafeteria Attendants and Bartender Helpers	38.9	1.0	44.8	35-9011
105	Chefs and Cooks	12.8	2.0	17.1	35-1011, 35-2011, 35-2013, 35-2014, 35-2019
106	Food Preparation Workers	21.4	3.3	33.5	35-1012, 35-2021, 35-9099
107	Fast Food and Counter Workers	40.1	1.4	17.9	35-3023
108	Dishwashers	11.0	0.1	15.8	35-9021
109	Host Staff, Restaurant, Lounge, and Coffee Shop	46.3	0.8	35.3	35-9031
110	Bakers	12.0	0.1	14.7	51-3011
Entertainment & Events					
201	Gambling Dealers	70.9	4.3	70.7	39-3011, 39-1013, 39-3013
202	Gambling Change Persons and Booth Cashiers	78.0	0.4	64.8	41-2012
203	Gambling Cage Workers	37.6	0.2	57.7	43-3041
204	Gambling and Sports Book Writers and Runners	30.0	*	43.3	39-3012
205	Dancers	8.8	*	54.3	27-2031
206	Musicians and Singers	2.9	*	36.8	27-2042
207	Disc Jockeys, Except Radio	15.7	*	44.9	27-2091
208	Entertainers and Performers	7.9	*	52.0	27-2099
209	Digital Content Creators	7.9	*	52.0	27-2099
210	Ushers, Lobby Attendants, and Ticket Takers	3.1	*	11.6	39-3031
211	Locker Room, Coatroom, and Dressing Room Attendants	12.0	*	19.1	39-3093
Hospitality & Guest Services					
301	Baggage Porters and Bellhops	7.0	0.1	18.6	39-6011
302	Concierges	3.7	*	11.7	39-6012
303	Hotel, Motel, and Resort Desk Clerks	11.7	0.7	42.8	43-4081
304	Maids and Housekeeping Cleaners	2.7	0.1	10.6	37-2012

Table A: Reported Tips of Single-Job Holders, Tax Year 2023					
Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	Percent with Reported Tips ¹	Percent of All Reported Tips ²	Reported Tips as Percent of Wages of Tipped Workers ³	Related Standard Occupational Classification (SOC) System Code
Home Services					
401	Home Maintenance and Repair Workers	0.5	0.1	16.1	49-9071, 49-9098, 49-9099, 49-9063, 49-2097, 51-7021
402	Home Landscaping and Groundskeeping Workers	0.5	*	14.0	37-3011
403	Home Electricians	0.1	*	10.6	47-2111
404	Home Plumbers	0.2	*	5.1	47-2152
405	Home Heating and Air Conditioning Mechanics and Installers	0.2	*	4.0	49-9021
406	Home Appliance Installers and Repairers	1.8	*	1.9	49-9031
407	Home Cleaning Service Workers	2.7	0.1	10.6	37-2012
408	Locksmiths	2.0	*	3.1	49-9094
409	Roadside Assistance Workers	0.2	*	10.8	49-3023, 53-3032
Personal Services					
501	Personal Care and Service Workers	0.6	0.1	31.1	31-1122, 39-9099
502	Private Event Planners	5.9	0.1	16.3	13-1121, 27-1023
503	Private Event and Portrait Photographers	2.3	*	22.0	27-4021
504	Private Event Videographers	*	*	*	27-4031
505	Event Officiants	0.2	*	16.8	21-2011
506	Pet Caretakers	19.1	0.3	16.2	39-2021
507	Tutors	0.5	*	34.5	25-3041
508	Nannies and Babysitters	0.7	*	28.8	39-9011
Personal Appearance & Wellness					
601	Skincare Specialists	54.7	0.5	24.4	39-5094
602	Massage Therapists	55.8	0.6	25.7	31-9011
603	Barbers, Hairdressers, Hairstylists, and Cosmetologists	52.4	3.2	22.7	39-5012, 39-5011
604	Shampooers	*	*	*	39-5093
605	Manicurists and Pedicurists	36.2	0.3	14.9	39-5092
606	Makeup Artists	13.1	*	14.8	39-5091
607	Exercise Trainers and Group Fitness Instructors	1.0	*	25.8	39-9031
608	Tattoo Artists and Piercers	11.1	*	15.8	27-1019
609	Tailors	0.8	*	15.9	51-6052
610	Shoe and Leather Workers and Repairers	*	*	*	51-6041
611	Eyebrow Threading and Waxing Technicians	53.2	3.0	22.6	39-5012

Table A: Reported Tips of Single-Job Holders, Tax Year 2023					
Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	Percent with Reported Tips ¹	Percent of All Reported Tips ²	Reported Tips as Percent of Wages of Tipped Workers ³	Related Standard Occupational Classification (SOC) System Code
Recreation & Instruction					
701	Golf Caddies	8.0	*	27.9	39-3091
702	Self-Enrichment Teachers	1.9	*	7.5	25-3021
703	Sports and Recreation Instructors	1.9	*	7.5	25-3021
704	Tour Guides	14.2	*	17.1	39-7011
705	Travel Guides	13.3	*	16.2	39-7012
706	Recreational and Tour Pilots	*	*	*	53-2012
Transportation & Delivery					
801	Parking and Valet Attendants	17.4	0.1	21.5	53-6021
802	Taxi and Rideshare Drivers and Chauffeurs	24.9	*	21.2	53-3054
803	Shuttle Drivers	16.7	0.1	28.0	53-3053
804	Goods Delivery People	3.7	0.5	30.0	53-3031
805	Personal Vehicle and Equipment Cleaners	4.8	*	12.4	53-7061
806	Private and Charter Bus Drivers	0.7	*	9.9	53-3052
807	Water Taxi Operators and Charter Boat Workers	*	*	*	53-5022
808	Rickshaw, Pedicab, and Carriage Drivers	0.8	*	21.4	53-6099
809	Home Movers	2.5	2.8	32.8	53-7062
Total			67.4 ⁴	44.6	
Notes: Data are for Tax Year 2023. An * indicates a share of less than 0.1% or a small cell size. ¹ Percentage of individuals within the Related SOC code(s) who have at least \$100 of tips reported on a W-2 or Form 4137 ("reported tips"). ² Reported tips of individuals in Related SOC code(s) as a percentage of all reported tips. The denominator includes all individuals regardless of whether their occupation could be mapped to a SOC code or if their SOC code is related to a TTOC code. ³ Reported tips of individuals in Related SOC code(s) as a percentage of wages of individuals with tips in Related SOC code(s). The denominator includes wages of individuals in Related SOC code(s) only if they report tips ⁴ Occupation codes are matched to SOC codes, which are then related to TTOC occupation titles, using the self-reported character strings in the "Your occupation" box next to the signature box on the Form 1040. The occupation box does not affect a taxpayer's tax liability, and taxpayers with a single W-2 sometimes enter an occupation (character string) that does not correspond to the W-2. For example, a student who was also a bartender might have entered "Student" in the occupation box, or they may have misspelled "bartender" as "batrender". In either case, we would not be able to match the "Student" or "batrender" who received tips to a TTOC code. These data shortcomings are the primary reason that the percentage of all reported tips for occupations listed in the table sum to only 67.4%. Source: Office of Tax Analysis, August 9, 2025					

d. Economic Effects

In general, OBBBA granted taxpayers the deduction for income earned in the form of qualified tips. In the absence of the list enumerated by these proposed regulations, two taxpayers with otherwise similar tax situations would face uncertainty as to whether this tax deduction applies to their situation. In the absence of this guidance, these taxpayers might make different choices as to whether their tips qualify for the deduction, and, therefore, face different tax liability. By enumerating the List of Occupations that Receive Tips, these proposed regulations ensure that these two taxpayers face the same tax treatment.

Consider an example where Employee A is a hairstylist and Employee B is a makeup artist, both working at Beauty Salon 1. Employee A and Employee B each receives \$10,000 in tips from customers at Beauty Salon 1. The House Budget Committee report on the OBBBA, H. Rept. 119-106, at 1502 (2025) included hairstylists but not makeup artists in its examples of occupations that traditionally and customarily²⁸ received tips on or before December 31, 2024. Thus, prior to reading the guidance in these proposed regulations, Employee B might have been unsure whether her occupation as a makeup artist makes her eligible to claim the deduction for her qualified tips. By enumerating this list, Employee A and Employee B have clarity that they are both eligible to use the \$10,000 in tips that they receive while working at Beauty Salon 1 for purposes of the deduction in section 224 (assuming that all other requirements to claim the deduction are satisfied).

Some taxpayers may reclassify their occupation as described on their Form 1040 to fall under a category that appears on the List of Occupations that Receive Tips. This reclassification would merely be a relabeling of their reported occupation and does not constitute a meaningful economic change. Due to the tax preference granted by the statute, some taxpayers may genuinely change occupations to one which appears on the List of Occupations that Receive Tips. This effect is ascribed to the statute.

ii. Illegal Activity

The proposed regulations clarify that the term “qualified tips” does not include tips that were received while performing a service that is a felony or misdemeanor under applicable law. For example, tips received while performing services in human trafficking, exotic pet smuggling, counterfeiting or fencing stolen goods, drug trafficking, drug dealing, and unlicensed sales that violate the applicable law would not be eligible for the deduction for qualified tips. The Treasury Department and the IRS do not have sufficient data to determine the behavioral effects of the clarification that the tips are excluded from the definition of “qualified tips” if they were earned while performing illegal activities. The Treasury Department and the IRS also do not have readily available data and models to assess the economic costs and benefits of excluding these tips from the definition of “qualified tips,” but the economic impact is expected to be low. However, the Treasury Department and the IRS invite comments on such costs and data that could be used to analyze these behavioral effects.

For example, consider Employee C who works as a bartender but does not have the license or certification that is required based on the applicable laws, and these laws specify that serving alcohol without a license is a misdemeanor. Employee C receives \$10,000 in tips during the year while serving alcohol at a bar. “Bartender” is on the List of Occupations that Receive Tips, but serving alcohol as a bartender without the proper license violates the applicable law. Because the proposed regulations clarify that the definition of “qualified tips” excludes tips received while performing services that violate the applicable law, Employee C is aware that the \$10,000 in tips received while serving alcohol without a license are not qualified tips, and so Employee C does not claim the deduction for these tips.

Alternatively, consider a different example where Restaurant 2 includes a bar that serves alcohol but does not have the liquor license required by the applicable laws. Employee D works on the

wait staff at Restaurant 2 and does not serve alcohol, which the applicable laws allow. Employee D receives \$10,000 in tips while waiting tables at Restaurant 2. They satisfy all other requirements to claim the deduction under section 224. Because the proposed regulations clarify that “qualified tips” exclude tips received while performing services that are illegal under applicable law, and the services that Employee D provided as a wait person were legal, Employee D understands that the \$10,000 in tips are considered “qualified tips” and Employee D claims the deduction accordingly.

The clarification in the proposed regulations, that tips are not considered “qualified tips” if they were received while performing services that are illegal under applicable law, provides clarity for taxpayers about whether their tips qualify for the tax deduction under section 224, as instituted by the OBBBA.

iii. Employees Participating in Voluntary Tip Reporting Programs with Tip Rates

The proposed regulations clarify that employees who enter into a tip agreement through the TRDA or GITCA program may determine the amount of their qualified tips using applicable tip rates in their agreement (as these tips are reported on Form W-2), as well as amounts reported to the IRS on Form 4137. This would not affect the behavior of employees in agreements under the TRDA or GITCA programs as they are required to report their tips (regardless of whether they are eligible for the deduction under section 224) using average tip rates for their occupational category that their employer and the IRS have established.

For example, suppose Employee E and Employee F both work as gambling dealers at Casino 3, and they both have a tip agreement as part of the GITCA program. Employee E receives \$11,000 in tips for the year, and Employee F receives \$12,000 in tips. The tip rate established by the IRS and their employer for their occupation in the tip agreement requires them to report \$10,000 in tips. The Forms W-2 for Employee E and Employee F from Casino

²⁸ Initial drafts of the OBBBA legislation contemplated a deduction for tips received by individuals in occupations that traditionally and customarily received tips, but this language was later revised to refer to occupations that customarily and regularly received tips.

3 each report \$10,000 in tips. Due to the clarification in the proposed regulations about the definition of “qualified tips” for employees under a tip agreement through the TRDA or GITCA program, Employee E and Employee F each understand that they may claim a deduction for \$10,000 in qualified tips (if the other requirements of section 224 are met) as those tips were reported to the IRS and Casino 3 in accordance with the tip rate established in their tip agreement.

Some employees under a tip agreement through the TRDA or GITCA programs may decide to report the full amount of their tips (in excess of the tip rate established in their tip agreement) to the IRS on Form 4137 or to their employer. These employees would use that full amount as qualified tips for the deduction under section 224. Any change in the reporting of tip income in excess of the established tip rates is ascribed to the statute, which creates the deduction for qualified tips that are reported on Form W-2 or Form 4137 (as well as Form 1099-NEC, Form 1099-K, and Form 1099-MISC).

iv. Summary

Based on the available models and data, the Treasury Department and the IRS estimate that the economic costs and benefits of the proposed regulations would be small. The Treasury Department and the IRS invite public comments and additional data on the economic effects that would result from these proposed regulations.

II. Paperwork Reduction Act

This proposed regulation does not create new collection requirements, as defined under the Paperwork Reduction Act (44 U.S.C. 3501-3520), and does not alter any previously approved OMB information collection requirements and their associated burden.

III. Regulatory Flexibility Act

The Secretary of the Treasury certifies that these proposed regulations will not have a significant economic impact on a substantial number of small entities pursuant to the Regulatory Flexibility Act

(5 U.S.C. chapter 6). This certification is based on the fact that these proposed regulations would not impose any new requirements on small entities but rather provide individuals rules for claiming the deduction under section 224 of the Code by specifying the scope of affected occupations as those contained in the proposed regulations and providing clarity on the definition of qualified tips. Because the regulation does not directly impact small entities a Regulatory Flexibility Act (5 U.S.C. chapter 6) analysis is not required.

Notwithstanding this certification that the proposed regulations would not have a significant economic impact on a substantial number of small entities, the Treasury Department and the IRS invite comments on the impacts these proposed regulations may have on small entities.

IV. Section 7805(f)

Pursuant to section 7805(f) of the Code, these proposed regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

V. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of \$100 million in 1995 dollars, updated annually for inflation. These proposed regulations do not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector, in excess of that threshold.

VI. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute,

or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These proposed regulations do not have federalism implications, do not impose substantial direct compliance costs on State and local governments, and do not preempt State law within the meaning of the Executive order.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to comments regarding the notice of proposed rulemaking that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** section. The Treasury Department and the IRS request comments on all aspects of the proposed regulations. In particular, the Treasury Department and IRS request comments on the application of the existing rules under § 1.199A-5(b) to the SSTB definition in section 224, and whether the definitions in § 1.199A-5(b) should be refined to better align with the anti-abuse provision in section 224 and the congressional directive for the Secretary to publish a list of occupations that customarily and regularly received tips on or before December 31, 2024. Additionally, Treasury and the IRS are concerned that taxpayers might misclassify income as tips and request comments on how to address this issue in the final regulations. All comments will be made available at <https://www.regulations.gov>. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn.

A public hearing has been scheduled for October 23, 2025, beginning at 10 a.m. ET, in the Auditorium at the Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. Participants may alternatively attend the public hearing by telephone.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish

to present oral comments at the hearing must submit an outline of the topics to be discussed and the time to be devoted to each topic by October 22, 2025. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing. If no outline of the topics to be discussed at the hearing is received by October 22, 2025, the public hearing will be cancelled. If the public hearing is cancelled, a notice of cancellation of the public hearing will be published in the **Federal Register**.

Individuals who want to testify in person at the public hearing must send an email to publichearings@irs.gov to have your name added to the building access list. The subject line of the email must contain the regulation number REG-110032-25 and the language TESTIFY In Person. For example, the subject line may say: Request to TESTIFY in Person at Hearing for REG-110032-25.

Individuals who want to testify by telephone at the public hearing must send an email to publichearings@irs.gov to receive the telephone number and access code for the hearing. The subject line of the email must contain the regulation number REG-110032-25 and the language TESTIFY Telephonically. For example, the subject line may say: Request to TESTIFY Telephonically at Hearing for REG-110032-25.

Individuals who want to attend the public hearing in person without testifying must also send an email to publichearings@irs.gov to have your name added to the building access list. The subject line of the email must contain the regulation number REG-110032-25 and the language ATTEND In Person. For example, the subject line may say: Request to ATTEND Hearing In Person for REG-110032-25. Requests to attend the public hearing must be received by 5:00 p.m. ET on October 21, 2025.

Individuals who want to attend the public hearing by telephone without testifying must also send an email to publichearings@irs.gov to receive the telephone number and access code for the hearing. The subject line of the email must con-

tain the regulation number REG-110032-25 and the language ATTEND Hearing Telephonically. For example, the subject line may say: Request to ATTEND Hearing Telephonically for REG-110032-25. Requests to attend the public hearing must be received by 5:00 p.m. ET on October 21, 2025.

Hearings will be made accessible to people with disabilities. To request special assistance during a hearing please contact the Publications and Regulations Section of the Office of Associate Chief Counsel (Procedure and Administration) by sending an email to publichearings@irs.gov (preferred) or by telephone at (202) 317-6901 (not a toll-free number) by October 20, 2025.

Drafting Information

The principal author of these proposed regulations is the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations and Employment Taxes). However, other personnel from the IRS and the Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and record-keeping requirements.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and the IRS propose to amend 26 CFR part 1 as follows:

PART 1-INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry for § 1.224-1 in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805* * *

§ 1.224-1 also issued under 26 U.S.C. 224(d)(2)(C) and (g) and sec. 70201(h) of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act.

* * * * *

Par. 2. Section 1.224-1 is added to read as follows:

§ 1.224-1 Qualified tips.

(a) *In general.* Under section 224(a) of the Internal Revenue Code (Code), there shall be allowed a deduction under section 63(b) for an amount equal to the qualified tips received by an individual during the taxable year that are included separately on statements furnished to the individual pursuant to section 6041(d)(3), section 6041A(e)(3), section 6050W(f)(2), or section 6051(a)(18) of the Code, or reported by the taxpayer on Form 4137, *Social Security and Medicare Tax On Unreported Tip Income* (or successor).

(b) *Deduction limitations*—(1) *In general.* The amount allowed as a deduction under section 224(a) and paragraph (a) of this section for any taxable year shall not exceed \$25,000, regardless of filing status.

(2) *Limitation based on adjusted gross income.* After the application of the limitation in paragraph (b)(1) of this section, the amount allowable as a deduction under section 224(a) and paragraph (a) of this section shall be further reduced (but not below zero) by \$100 for each \$1,000 by which the taxpayer's modified adjusted gross income exceeds \$150,000 (\$300,000 in the case of a joint return). For purposes of this paragraph (b)(2), *modified adjusted gross income* means the adjusted gross income of the taxpayer from the taxable year increased by any amount excluded from gross income under section 911, section 931, or section 933.

(3) *Examples.* The following examples illustrate the rules of paragraphs (b)(1) and (2) of this section.

(4) *Example 1.* Employee A satisfies all the requirements under section 224 and Employee A's filing status for 2025 is single. A received \$26,000 in qualified tips in 2025. Since this is greater than the \$25,000 limitation in paragraph (b)(1) of this section, the \$26,000 qualified tip amount is first reduced from \$26,000 to \$25,000. A's modified adjusted gross income for 2025 is \$200,000. The qualified tip amount is further reduced (but not below zero) by \$100 for each \$1,000 by which A's modified adjusted gross income exceeds \$150,000 (the threshold for a single filer). A's modified adjusted gross income exceeds \$150,000 by \$50,000. To calculate the deduction, A first divides \$50,000 by \$1,000 to get 50. Thus, A's deduction under section 224(b)(2) is further reduced by \$5,000 (\$100 x 50), from \$25,000 to \$20,000.

(5) *Example 2.* Employee K satisfies all the requirements under section 224 and Employee K's filing status for 2025 is single. K received \$10,000

in qualified tips in 2025. Since this amount is less than \$25,000, the limitation in paragraph (b)(1) of this section does not apply. K's modified adjusted gross income for 2025 is \$180,000. K's deduction is reduced (but not below zero) by \$100 for each \$1,000 by which K's modified adjusted gross income exceeds \$150,000 (the threshold for a single filer). K's modified adjusted gross income exceeds \$150,000 by \$30,000. To calculate the deduction, K first divides \$30,000 by \$1,000 to get 30. Thus, K's deduction under section 224(b)(2) is reduced by \$3,000 (\$100 x 30), from \$10,000 to \$7,000.

(c) *Qualified tips defined*—(1) *In general.* Subject to the requirements in paragraph (c)(3) of this section, *qualified tips* are amounts received as cash tips (as defined in paragraph (c)(2) of this section) by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided in paragraph (f) of this section.

(2) *Cash tips defined.* For purposes of paragraph (c)(1) of this section, *cash tips* are tips received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement, such as a tip pool, that are paid in a cash medium of exchange, including by cash, check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash (such as casino chips), and any other form of electronic settlement or mobile payment application that is denominated in cash. Cash tips do not include items paid in any medium other than cash, such as event tickets, meals, services, or other assets that are not exchangeable for a fixed amount in cash (such as most digital assets). For purposes of this paragraph (c)(2), tips are amounts paid by customers for services that are in excess of the amount agreed to, required, charged, or otherwise reasonably expected to have to be paid for the services in an arm's-length transaction.

(3) *Amounts must be paid voluntarily.* Amounts are qualified tips only if they are paid voluntarily and without any consequence in the event of nonpayment, are not the subject of negotiation, and are determined by the payor. Qualified tips must be paid without compulsion. Thus, service charges, automatic gratuities and any other mandatory amounts automatically added to a customer's bill by the vendor or establishment are not qualified tips, even if the amounts are

subsequently distributed to employees. If a customer is expressly provided an option to disregard or modify amounts added to a bill, such amounts are not mandatory amounts.

(i) *Examples.* The following examples illustrate the rules of this paragraph (c)(3). Unless otherwise indicated, each example assumes that other requirements for claiming the deduction under section 224 are satisfied.

(ii) *Example 1.* Restaurant W's menu specifies that an automatic 18% charge will be added to all bills for parties of six or more customers. Customer D's bill for food and beverages for her party of six includes the 18% charge on the "tip line" and the total bill includes this amount. Restaurant W distributes this amount to the waitstaff and bussers. Customer D did not determine the amount of the additional charge, nor was Customer D expressly provided an option to disregard or modify the amount. Customer D did not make the payment free from compulsion. Under these circumstances, the 18% charge is not a qualified tip for purposes of the deduction under section 224.

(iii) *Example 2.* The facts are the same as in paragraph (c)(3)(ii) of this section (*Example 1*) except the bill has a line labeled "additional tip amount." In this case, Customer D adds on the "additional tip line" an amount equal to 2% of the price for food and beverages. As in paragraph (c)(3)(ii) of this section (*Example 1*), the 18% charge is not a qualified tip for the purposes of the deduction under section 224. However, the 2% additional amount is a qualified tip for the purposes of the deduction under section 224, because Customer D voluntarily paid the 2% additional amount without compulsion.

(iv) *Example 3.* Customer E dines at Restaurant X with a party of eight people. E's bill for food and beverages for the party of eight includes a "recommended tip" equal to 18% of the price for food and beverages. However, there is a line for the customer to subtract (including to zero) or add to the recommended tip amount before paying the bill. Customer E subtracts 3% from the recommended tip amount resulting in a tip of 15% of the price for food and beverages. Customer E had a right to determine the additional amount, and he was expressly provided the option to disregard or modify the "recommended tip" amount. Under these circumstances, the recommended 18% amount is not a service charge. Rather, the 15% amount that the customer voluntarily paid without compulsion is a qualified tip for purposes of the deduction under section 224.

(v) *Example 4.* Customer F has a meal at Restaurant Y. The server presents the bill for the meal to Customer F on an electronic handheld point of sale (POS) device. The POS device includes the charges for each food and beverage item and the applicable tax. The POS device also prompts Customer F to leave a tip and provides the following options for Customer F: 15%, 18%, 20%, other, and no tip. Customer F selects 18% and pays the total balance via credit card through the POS device. Customer F had a right to determine the additional amount, and Customer F was expressly provided the option to leave

no tip. Under these circumstances, the 18% amount is a qualified tip.

(vi) *Example 5.* The facts are the same as in paragraph (c)(3)(v) of this section (*Example 4*), but the choices on the POS device are 15%, 18%, and 20%. Customer F must select a "tip amount" before paying the bill. Customer F selects 15% and pays the total balance via credit card through the POS device. Customer F did not voluntarily determine the amount of the additional charge because Customer F was forced to select an amount greater than zero. Customer D was not expressly provided an option to disregard or modify the amounts presented. Customer D did not make the payment free from compulsion. Under these circumstances, the 15% charge is not a qualified tip for purposes of the deduction under section 224.

(vii) *Example 6.* The facts are the same as in paragraph (c)(3)(vi) of this section (*Example 5*), but Customer F selects 18% and pays the total balance via credit card through the POS device. Customer F did not voluntarily determine the lowest required amount (15%) of the additional charge because Customer F was forced to select an amount greater than zero. Customer F was not expressly provided an option to disregard or modify the amounts presented. Customer F did not make the payment of 15% free from compulsion. Under these circumstances, 15% of the charge is not a qualified tip for purposes of the deduction under section 224. However, the 3% additional amount is a qualified tip for the purposes of the deduction under section 224, because Customer F voluntarily, without compulsion, paid the 3% additional amount.

(viii) *Example 7.* Self-employed painter G is hired by customer Z to paint customer Z's house. Included in the service contract between painter G and customer Z is a provision adding a 15% service charge to the total cost of the final bill. After the service contract is signed by both painter G and customer Z, painter G completes the painting services. After the painting services are completed, customer Z pays the amount agreed upon in the service contract, including the 15% service charge. In addition, customer Z pays painter G a cash tip amount, not provided for in the service agreement, equal to 10% of the final bill. The 15% service charge is not a qualified tip because it was included in the service contract before the painting services were provided and painter G's performance of the painting services was conditioned on the agreement to pay the 15% service charge. However, because the 10% cash tip amount was not included in the service agreement, and because customer Z voluntarily paid the 10% cash tip amount without compulsion, the 10% cash tip amount is a qualified tip for purposes of the deduction under section 224.

(ix) *Example 8.* Shuttle Driver S enters into a contract with Customer Q. Under the terms of the contract, Shuttle Driver S will drive Customer Q to the airport for either \$60 (consisting of a \$50 charge and a 20% gratuity) or \$65 (consisting of just the charge for the service with no gratuity). The contract states that an additional tip based on the service provided is welcome. Customer Q selects the first option and pays Shuttle Driver S \$60. After arriving at the airport, Customer Q pays Shuttle Driver S an additional \$5. The 20% gratuity is not a qualified tip because it

was not paid voluntarily, and not providing the 20% gratuity would have resulted in Customer Q paying a higher amount. However, the additional \$5 amount added after the service was completed is made without compulsion and is a qualified tip for purposes of this section.

(x) *Example 9.* Landscaper L is self-employed and enters into a contract to install a new patio for Customer O for \$5,000. When the services are complete, Customer O pays Landscaper L \$5,100, and tells Landscaper L that the additional \$100 is a tip for L's services. Landscaper L records the payment on the business's books as a charge for \$4,500 for installation of the patio and \$600 as a tip. The amount of the qualified tip is \$100 because this is the amount that was determined by the payor (the customer). The additional \$500 is not a qualified tip because it was not paid voluntarily and was not designated by the payor (the customer). Amounts reclassified by the service provider from the agreed contract price are not qualified tips but are instead part of the charge for services. The additional \$500 also is not a tip because it is not in excess of the amount that was agreed to be paid for L's services.

(4) *Special rules regarding a specified service trade or business.* An amount received by an individual in the course of a specified service trade or business (as defined in section 199A(d)(2) of the Code) is not a qualified tip. If the individual performs services as an employee, the relevant trade or business is the trade or business of the employer in the course of which the employee is performing services. Thus, an amount received by an employee performing services for the employee's employer in the course of a specified service trade or business operated by the employee's employer is not a qualified tip, regardless of whether the trade or business or an owner of the trade or business is eligible for a deduction under section 199A, and regardless of whether the employee is performing services in an occupation listed in paragraph (f) of this section or whether that occupation is a specified service trade or business.

(i) *Examples.* The following examples illustrate the rules of this paragraph (c)(4). Unless otherwise indicated, each example assumes that other requirements for claiming the deduction under section 224 are satisfied.

(ii) *Example 1.* Self-employed Comedian C performs a stand-up comedy routine at Performance Venue V. The audience members at Performance Venue V give Comedian C cash tips after the performance. The cash tips received by Comedian C are not qualified tips because the tips are received in the course of Comedian C's trade or business in the performing arts, which is a specified service trade or business. Such cash tips are not qualified tips notwithstanding the fact that Comedian C's occupa-

tion (comedian) is included in the Treasury Tipped Occupation Code (TTOC) category of "Entertainers and performers," on the list of occupations that customarily and regularly received tips on or before December 31, 2024, as provided in paragraph (f) of this section.

(iii) *Example 2.* Pianist P is an employee of Hotel H. Hotel H does not operate a trade or business that is a specified service trade or business. Pianist P plays the piano in the lobby of Hotel H. Hotel H's patrons often leave cash tips in a jar on the piano for Pianist P. The cash tips received by Pianist P are qualified tips, even though the tips are received for services in the performing arts, which is a specified service trade or business, because Pianist P is performing services as an employee, the employer (Hotel H) is not operating a specified service trade or business, and Pianist P's occupation (piano player) is included in the TTOC category of "Musicians and singers," on the list of occupations that customarily and regularly received tips on or before December 31, 2024, as provided in paragraph (f) of this section.

(iv) *Example 3.* Bartender B is an employee of Company R. Company R does not operate a trade or business that is a specified service trade or business. Theater T enters into a contract with Company R to provide bartending services during the intermission of certain live performances occurring at Theater T. During the intermissions, Bartender B receives cash tips from patrons at Theater T. The cash tips are qualified tips because Bartender B is performing services as an employee, the employer (Company R) is not engaged in a specified service trade or business, and the employee's occupation (bartender) is included in the TTOC category of "Bartenders" on the list of occupations that customarily and regularly received tips on or before December 31, 2024, as provided in paragraph (f) of this section.

(5) *Employees participating in voluntary tip reporting programs with tip rates.* Employees who enter into a Tipped Employee Participation Agreement as part of the Tip Reporting Determination Agreement (TRDA) program or a Model Gaming Employee Tip Reporting Agreement as part of the Gaming Industry Tip Compliance Agreement (GITCA) program may determine the amount of qualified tips using the applicable tip rate in their agreement (and amounts reported on Form 4137 (or successor)) in lieu of reporting actual tips received. The use of the TRDA or GITCA program to determine qualified tips for purposes of this section will not affect the tip audit protection otherwise applicable to the employee's agreement. Employees participating in the TRDA or GITCA program remain subject to all remaining requirements in section 224 and this section regarding eligibility for the deduction.

(6) *Illegal activity.* Any amount received for a service the performance of

which is a felony or misdemeanor under applicable law is not a qualified tip.

(7) *Prostitution.* Any amount received for prostitution services is not a qualified tip.

(8) *Pornography.* Any amount received for pornographic activity is not a qualified tip.

(9) *No ownership in or employment by payor.* A tip received by an employee or other service provider who has an ownership interest in or is employed by the payor of the tip is not a qualified tip.

(d) *Trade or business limitations for tips received in course of trade or business—(1) In general.* In the case of qualified tips received by an individual during any taxable year in the course of a trade or business (other than a trade or business of performing services as an employee) of such individual, such qualified tips shall be deducted only to the extent that the gross income for the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of the deductions (other than the deduction allowed for qualified tips) allocable to the trade or business in which such qualified tips are received by the individual for the taxable year. The deduction allowed for qualified tips is not taken into account for this purpose because it is not a trade or business deduction. Thus, generally, for self-employed taxpayers, the deduction under section 224 for a trade or business is limited to the individual's net income (without regard to the section 224 deduction) from that trade or business.

(2) *Examples.* The following examples illustrate the rule of paragraph (d)(1) of this section.

(3) *Example 1.* Manicurist M is self-employed and owns a nail salon. Manicurist M has no other employment. For the taxable year, Manicurist M has gross income of \$100,000 that consists of \$70,000 of fees for services at the nail salon and \$30,000 of qualified tips. Manicurist M's total deductible expenses (other than the deduction for qualified tips) are \$40,000. Manicurist M's gross income of \$100,000 from the trade or business exceeds the sum of the deductions for that trade or business (other than qualified tips) by \$60,000 (\$100,000 - \$40,000 = \$60,000). Because the maximum deduction under section 224 and paragraph (b)(1) of this section is \$25,000, Manicurist M is permitted to deduct \$25,000.

(4) *Example 2.* Manicurist M is self-employed and owns a nail salon. Manicurist M has no other employment. For the taxable year, Manicurist M has gross income of \$75,000 that consists of \$55,000 of

fees for services at the nail salon and \$20,000 of qualified tips. Manicurist M’s total deductible expenses (other than the deduction for qualified tips) are \$60,000. Manicurists M’s gross income of \$75,000 from the trade or business exceeds the sum of the deductions from that trade or business by \$15,000 (\$75,000 - \$60,000 = \$15,000). Although Manicurist M received \$20,000 in qualified tips, Manicurist M is allowed a qualified tip deduction of only \$15,000, which is the extent to which Manicurist M’s gross income from the trade or business (\$75,000) exceeds the total deductible expenses (other than qualified tips) (\$60,000) from that trade or business.

(e) *Social Security numbers and married individuals*—(1) *In general.* To claim a deduction under section 224, a taxpayer must include on the taxpayer’s tax return the Social Security number (SSN), as defined in section 24(h)(7) of the Code, of the individual who has received the qualified tips.

(2) *Married taxpayers.* Taxpayers who are married, as defined by section 7703 of the Code, must file a joint return to claim the deduction allowed by section 224. However, to claim the deduction allowed by section 224, married taxpay-

ers are required to include only the SSN of the taxpayer who has received the tips to claim the deduction, and an SSN is required of both taxpayers only when both have qualified tips for which the deduction is being claimed. In accordance with section 224(b)(1), the total amount of qualified tips that can be deducted per calendar year is \$25,000 regardless of filing status. After applying the \$25,000 limitation, the deduction amount is further subject to the phase-out based on the taxpayers’ modified adjusted gross income described in section 224(b)(2).

(3) *Example.* Taxpayers J and K are married, as defined in section 7703, and they file a joint income tax return. They both work in occupations that customarily and regularly received tips on or before December 31, 2024. J receives \$15,000 in qualified tips in 2025, and K receives \$20,000 in qualified tips in 2025. The maximum deduction J and K may claim pursuant to section 224 on their joint return for 2025 is \$25,000.

(f) *Occupations that customarily and regularly received tips on or before December 31, 2024* — (1) *In general.* The occupations in Table 1 customarily and regularly received tips on or before December 31, 2024. Subject to the requirements in section 224 and this section, only qualified tips received in connection with the occupations listed in Table 1 are eligible for the deduction in section 224(a).

(2) *Specified service trade or business exclusion.* An individual working in an occupation listed in Table 1 is not eligible for the deduction in section 224(a) with respect to any amounts received in the course of a trade or business that is a specified service trade or business. An individual engaged in the trade or business of being an employee is not eligible for the deduction in section 224(a) with respect to any amounts received for providing services for an employer in the course of a trade or business of the employer that is a specified service trade or business.

Table 1 to paragraph (f)(1)—Occupations that Customarily and Regularly Received Tips on or Before December 31, 2024

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s) ¹
Beverage and Food Service				
101	Bartenders	Mix and serve drinks to patrons, directly or through waitstaff.	Barkeep, mixologist, taproom attendant, sommelier	35-3011
102	Wait Staff	Take orders and serve food and beverages to patrons at tables in dining establishment.	Cocktail waitress, dining car server	35-3031
103	Food Servers, Non-restaurant	Serve food to individuals outside of a restaurant environment, such as in hotel rooms, residential care facilities, or cars.	Room service food server, boat hop, beer cart server	35-3041
104	Dining Room and Cafeteria Attendants and Bartender Helpers	Facilitate food service. Clean tables; remove dirty dishes; replace soiled table linens; set tables; replenish supply of clean linens, silverware, glassware, and dishes; supply service bar with food; and serve items such as water, condiments, and coffee to patrons.	Bar back, bar helper, busser	35-9011
105	Chefs and Cooks	Direct and may participate in the preparation, seasoning, and cooking of salads, soups, fish, meats, vegetables, desserts, or other foods.	Executive chef, pastry chef, sous chef, fast food cook, private chef, restaurant cook, saucier, food truck cook, banquet cook, caterer, chocolatier, confectioner	35-1011, 35-2011, 35-2013, 35-2014, 35-2019

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
106	Food Preparation Workers	Perform a variety of food preparation duties other than cooking, such as preparing cold foods and shellfish, slicing meat, and brewing coffee or tea.	Salad maker, sandwich maker, fruit and vegetable parer, kitchen steward	35-1012, 35-2021, 35-9099
107	Fast Food and Counter Workers	Serve customers at counter or from a steam table. Perform duties such as taking orders and serving food and beverages. May take payment. May prepare food and beverages.	Barista, ice cream server, cafeteria server	35-3023
108	Dishwashers	Clean dishes, kitchen, food preparation equipment, or utensils.	Dish room worker, silverware cleaner	35-9021
109	Host Staff, Restaurant, Lounge, and Coffee Shop	Welcome patrons, seat them at tables or in lounge, and help ensure quality of facilities and service.	Maitre d'hôtel, dining room host	35-9031
110	Bakers	Mix and bake ingredients to produce breads, rolls, cookies, cakes, pies, pastries, or other baked goods.	Bread baker, cake baker, bagel baker, pastry finisher	51-3011
Entertainment and Events				
201	Gambling Dealers	Operate gambling games. Stand or sit behind table and operate games of chance by dispensing the appropriate number of cards or blocks to players or operating other gambling equipment. Distribute winnings or collect players' money or chips. May compare the house's hand against players' hands.	Blackjack dealer, craps dealer, poker dealer, roulette dealer, pit clerk	39-3011, 39-1013, 39-3013
202	Gambling Change Persons and Booth Cashiers	Exchange coins, tokens, and chips for patrons' money. May issue payoffs and obtain customer's signature on receipt. May operate a booth in the slot machine area and furnish change persons with money bank at the start of the shift, or count and audit money in drawers.	Slot attendant, mutuel teller	41-2012
203	Gambling Cage Workers	In a gambling establishment, conduct financial transactions for patrons. Accept patron's credit application and verify credit references to provide check-cashing authorization or to establish house credit accounts. May reconcile daily summaries of transactions to balance books. May sell gambling chips, tokens, or tickets to patrons, or to other workers for resale to patrons. May convert gambling chips, tokens, or tickets to currency upon patron's request. May use a cash register or computer to record transaction.	Casino cashier, cage cashier	43-3041

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
204	Gambling and Sports Book Writers and Runners	Post information enabling patrons to wager on various races and sporting events. Assist in the operation of games such as keno and bingo. May operate random number-generating equipment and announce the numbers for patrons. Receive, verify, and record patrons' wagers. Scan and process winning tickets presented by patrons and pay out winnings for those wagers.	Betting runner, bingo worker, keno runner, race book writer	39-3012
205	Dancers	Perform dances.	Club dancer, dance artist	27-2031
206	Musicians and Singers	Play one or more musical instruments or sing.	Instrumentalist, accompanist, lounge singer	27-2042
207	Disc Jockeys, Except Radio	Play prerecorded music for live audiences at venues or events such as clubs, parties, or wedding receptions. May use techniques such as mixing, cutting, or sampling to manipulate recordings. May also perform as emcee (master of ceremonies).	Deejay, club DJ	27-2091
208	Entertainers and Performers	Entertain audiences with artistic expression.	Comedian, clown, magician, street performer	27-2099
209	Digital Content Creators	Produce and publish on digital platforms original entertainment and personality-driven content, such as live streams, short-form videos, or podcasts.	Streamer, online video creator, social media influencer, podcaster	27-2099
210	Ushers, Lobby Attendants, and Ticket Takers	Assist patrons at entertainment events by performing duties, such as collecting admission tickets and passes from patrons, assisting in finding seats, searching for lost articles, and helping patrons locate such facilities as restrooms and telephones.	Ticket collector, theater usher	39-3031
211	Locker Room, Coatroom, and Dressing Room Attendants	Provide personal items to patrons or customers in locker rooms, dressing rooms, or coatrooms.	Coat checker, washroom attendant, bathhouse attendant	39-3093
Hospitality and Guest Services				
301	Baggage Porters and Bellhops	Handle baggage for travelers at transportation terminals or for guests at hotels or similar establishments.	Hotel baggage handler, curbside airport check-in assistant	39-6011
302	Concierges	Assist patrons at hotels or apartment buildings with personal services. May take messages; arrange or give advice on transportation, business services, or entertainment; or monitor guest requests for housekeeping and maintenance.	Hotel guest service agent, activities concierge	39-6012

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
303	Hotel, Motel, and Resort Desk Clerks	Accommodate hotel, motel, and resort patrons by registering and assigning rooms to guests, issuing room keys or cards, transmitting and receiving messages, keeping records of occupied rooms and guests' accounts, making and confirming reservations, and presenting statements to and collecting payments from departing guests.	Front desk clerk, registration clerk	43-4081
304	Maids and Housekeeping Cleaners	Perform any combination of light cleaning duties to maintain commercial establishments, such as hotels, in a clean and orderly manner. Duties may include making beds, replenishing linens, cleaning rooms and halls, and vacuuming.	Hotel maid, housekeeping staff	37-2012
Home Services				
401	Home Maintenance and Repair Workers	Perform work to keep machines, mechanical equipment, or the structure of a building in repair. May maintain and repair musical instruments, furniture, antiques, and non-fixtures.	Handyman, roofer, window repairer, house painter (interior or exterior), flooring installer, piano tuner, furniture restorer, antique repairer	49-9071, 49-9098, 49-9099, 49-9063, 49-2097, 51-7021
402	Home Landscaping and Groundskeeping Workers	Landscape or maintain grounds of property using hand or power tools or equipment. Workers typically perform a variety of tasks, which may include any combination of the following: sod laying, mowing, trimming, planting, watering, fertilizing, digging, raking, sprinkler installation, and installation of mortarless segmental concrete masonry wall units.	Lawn mower, gardener, tree trimmer, weed sprayer	37-3011
403	Home Electricians	Install, maintain, and repair electrical wiring, equipment, and fixtures. Ensure that work is in accordance with relevant codes. May install or service exterior lights, intercom systems, or electrical control systems.	Electrician	47-2111
404	Home Plumbers	Assemble, install, alter, and repair pipelines or pipe systems that carry water, steam, air, or other liquids or gases. May install heating and cooling equipment and mechanical control systems.	Plumber, pipefitter, steamfitter, sprinkler installer	47-2152
405	Home Heating and Air Conditioning Mechanics and Installers	Install or repair heating, central air conditioning, HVAC, or refrigeration systems, including oil burners, hot-air furnaces, and heating stoves.	Air conditioning repairer, heating system installer, chimney sweep	49-9021

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
406	Home Appliance Installers and Repairers	Repair, adjust, or install all types of electric or gas household appliances, such as refrigerators, washers, dryers, and ovens.	Washing machine installer, dishwasher repairer	49-9031
407	Home Cleaning Service Workers	Perform any combination of light cleaning duties to maintain private households in a clean and orderly manner. Duties may include making beds, replenishing linens, cleaning rooms and halls, and vacuuming.	House cleaner, pool cleaner, carpet cleaner, window washer	37-2012
408	Locksmiths	Repair and open locks, make keys, change locks and safe combinations, and install and repair safes.	Safe installer, key maker	49-9094
409	Roadside Assistance Workers	Provide on-road assistance to drivers whose vehicles have broken down.	Tow truck driver, car battery technician, tire repairer, tire changer, car fuel deliverer	49-3023, 53-3032
Personal Services				
501	Personal Care and Service Workers	Provide personalized assistance to individuals with disabilities or illness who require help with personal care and activities of daily living support (for example, feeding, bathing, dressing, grooming, toileting, and ambulation). May also provide help with tasks such as preparing meals, doing light housekeeping, and doing laundry. Work is performed in various settings depending on the needs of the care recipient and may include locations such as their home, place of work, out in the community, or at a daytime nonresidential facility.	Elderly companion, personal care aide, butler, house sitter, personal valet	31-1122, 39-9099
502	Private Event Planners	Coordinate activities of staff or clients to make arrangements for private events. May provide creative design for décor, floral arrangements, and invitations.	Wedding planner, party planner, event florist	13-1121, 27-1023
503	Private Event and Portrait Photographers	Photograph people, landscapes, or other subjects. May use lighting equipment to enhance a subject's appearance. May use editing software to produce finished images and prints.	Wedding photographer, headshot photographer	27-4021
504	Private Event Videographers	Operate video or film camera to record images or scenes of private events.	Wedding videographer	27-4031
505	Event Officiants	Lead and facilitate the ceremony for life events such as weddings or funerals. Ceremonies may be religious or civil services.	Wedding officiant, funeral celebrant, clergy, vow renewal officiant	21-2010
506	Pet Caretakers	Feed, water, groom, bathe, exercise, or otherwise provide care to promote and maintain the well-being of pets.	Pet groomer, pet sitter, pet walker, kennel worker, pet trainer	39-2021

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
507	Tutors	Instruct individual students or small groups of students in academic subjects to supplement formal class instruction or to prepare students for standardized or admissions tests. May provide instruction in person or remotely.	Reading tutor, math tutor, language tutor	25-3041
508	Nannies and Babysitters	Attend to children at businesses and private households. Perform a variety of tasks, such as dressing, feeding, bathing, and overseeing play.	Au pair, child sitter at hotels and gyms	39-9011
Personal Appearance and Wellness				
601	Skincare Specialists	Provide skincare treatments to face and body to enhance an individual's appearance.	Facialist, electrologist, spa esthetician	39-5094
602	Massage Therapists	Perform therapeutic massages of soft tissues and joints. May assist in the assessment of range of motion and muscle strength or propose client therapy plans.	Masseuse, deep tissue massage therapist, sports massage therapist	31-9011
603	Barbers, Hairdressers, Hairstylists, and Cosmetologists	Provide beauty or barbering services, such as cutting, coloring, and styling hair, massaging and treating scalps, trimming beards or giving shaves.	Wig stylist, beautician, hair colorist, hair cutter	39-5012, 39-5011
604	Shampooers	Shampoo and rinse customers' hair.	Scalp treatment specialist, shampoo assistant	39-5093
605	Manicurists and Pedicurists	Clean and shape customers' fingernails and toenails. May polish or decorate nails.	Nail technician, fingernail sculptor, nail painter	39-5092
606	Eyebrow Threading and Waxing Technicians	Enhance and maintain clients' eyebrows using techniques such as threading, waxing, or tweezing.	Eyebrow waxer	39-5091
607	Makeup Artists	Design and apply makeup looks.	Wedding makeup artist, party makeup artist	39-9031
608	Exercise Trainers and Group Fitness Instructors	Instruct or coach groups or individuals in exercise activities for the primary purpose of personal fitness. Demonstrate techniques and form, observe participants, and explain to them corrective measures necessary to improve their skills. Develop and implement individualized approaches to exercise.	Aerobics trainer, yoga instructor, personal trainer	27-1019
609	Tattoo Artists and Piercers	Design and execute tattoos on a client's skin, often using a needle and ink. Create openings in the human body for the insertion of jewelry. May consult clients on aftercare to promote healing and prevent infection.	Tattoo artist, ear piercer, nose piercer	51-6052

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
610	Tailors	Design, make, alter, repair, or fit garments.	Tailor, seamstress, clothing alterations worker	51-6041
611	Shoe and Leather Workers and Repairers	Construct, decorate, or repair leather and leather-like products, such as luggage, shoes, and saddles. May use hand tools.	Cobbler, shoe shiner	39-5012
Recreation and Instruction				
701	Golf Caddies	Assist a golfer during a round of golf by providing practical support and strategic advice. May carry the golfer's bag, manage their clubs, offer guidance on club selection or course strategy.	Golf caddie, golf cart attendant	39-3091
702	Self-Enrichment Teachers	Teach or instruct individuals or groups for the primary purpose of self-enrichment, rather than for an occupational objective, educational attainment, competition, or fitness.	Knitting instructor, piano teacher, art instructor, dance teacher	25-3021
703	Recreational and Tour Pilots	Pilot and navigate the flight of fixed-wing aircraft, helicopters, or other airborne vehicle for recreational or touring purposes. Excludes regional national, and international airline pilots, and emergency services pilots.	Helicopter tour pilot, hot air balloon aeronaut, skydiving pilot	25-3021
704	Tour Guides	Guide individuals or groups on sightseeing tours or through places of interest, such as industrial establishments, public buildings, and art galleries.	Museum guide, sightseeing guide	39-7011
705	Travel Guides	Plan, organize, and conduct long-distance travel, tours, and expeditions for individuals and groups.	Cruise director, river expedition guide	39-7012
706	Sports and Recreation Instructors	Teach or instruct individuals or groups for the primary purpose of recreation, rather than for an occupational objective, educational attainment, competition, or fitness.	Diving instructor, ski instructor, tennis teacher, surfing instructor	53-2012
Transportation and Delivery				
801	Parking and Valet Attendants	Park vehicles or issue tickets for customers in a parking lot or garage. May park or tend vehicles in environments such as a hotel or restaurant. May collect fee.	Parking garage attendant, valet parker	53-6021
802	Taxi and Rideshare Drivers and Chauffeurs	Drive a motor vehicle to transport passengers on a planned or unplanned basis.	Cab driver, personal driver	53-3054
803	Shuttle Drivers	Drive a motor vehicle to transport passengers on a planned route and scheduled basis. May collect a fare. Excludes taxi and rideshare drivers, chauffeurs, municipal bus drivers, and school bus drivers.	Airport shuttle driver, hotel shuttle driver, rental car shuttle driver	53-3053

Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC) System Code(s)¹
804	Goods Delivery People	Drive truck or other vehicle over established routes or within an established territory to deliver goods, such as food products, appliances, or furniture, or pick up or deliver packages. May also take orders or collect payment at point of delivery.	Pizza delivery driver, grocery delivery driver, floral delivery, bicycle courier, package delivery person, appliance delivery driver, furniture delivery person	53-3031
805	Personal Vehicle and Equipment Cleaners	Wash or otherwise clean personal vehicles, machinery, and other equipment. Use such materials as water, cleaning agents, brushes, cloths, and hoses.	Car wash attendant, auto detailer, boat waxer	53-7061
806	Private and Charter Bus Drivers	Drive bus or motor coach for charters or private carriage. May assist passengers with baggage.	Motor coach bus driver, tour bus driver	53-3052
807	Water Taxi Operators and Charter Boat Workers	Operate water taxi boats or provide services to passengers on private charter boats. May assist in navigational activities.	Water taxi captain, air boat operator, charter boat deckhand, charter boat steward	53-5022
808	Rickshaw, Pedicab, and Carriage Drivers	Operate rickshaw, pedicab, or carriage to transport passengers.	Horse drawn carriage driver, bike taxi driver	53-6099
809	Home Movers	Manually move furniture, music instruments, art, antiques, boxes, luggage, or other materials to or from a home or dwelling.	Furniture mover, packer, piano mover, art mover	53-7062

1. “Related Standard Occupational Classification (SOC) System Code(s)” are the code(s) from the 2018 Standard Occupational Classification System, as published by the Executive Office of the President, Office of Management and Budget, that most closely correlate(s) to the Treasury Tipped Occupation Code (TTOC).

(g) *Termination.* No deduction shall be allowed under this section for any taxable year beginning after December 31, 2028.

(h) *Applicability date.* This section applies to taxable years beginning after December 31, 2024.

Edward T. Killen,
Acting Chief Tax Compliance Officer.

(Filed by the Office of the Federal Register September 19, 2025, 8:45 a.m., and published in the issue of the Federal Register for September 22, 2025, 90 FR 45340)

Notice of Proposed Rulemaking

Guidance Regarding Certain Matters Relating to Nonrecognition of Gain or Loss in Corporate Separations, Incorporations, and Reorganizations; Multi-Year Reporting Requirements for Corporate Separations and Related Transactions; Withdrawal

REG-112261-24; REG-116085-23

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of notices of proposed rulemaking.

SUMMARY: This document withdraws a notice of proposed rulemaking containing proposed regulations relating to corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss. This document also withdraws a notice of proposed rulemaking containing proposed regulations that would have required multi-year tax reporting for corporate separations and related transactions. The proposed regulations would have affected corporations and their shareholders and security holders.

DATES: The notices of proposed rulemaking published in the *Federal Reg-*

ister on January 16, 2025 (90 FR 5220 and 90 FR 4687), are withdrawn as of September 30, 2025.

ADDRESSES: Send paper submissions to CC:PA:01:PR (REG-112261-24 and REG-116085-23), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. All public comments received with respect to the notices of proposed rulemaking (REG-112261-24 and REG-116085-23) are available to review at <https://www.regulations.gov> by searching the Docket ID numbers (IRS-2025-0017 and IRS-2025-0015, respectively).

FOR FURTHER INFORMATION CONTACT: Justin R. Du Mouchel at (202) 317-6975 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On January 16, 2025, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-112261-24) in the *Federal Register* (90 FR 5220) setting forth proposed regulations under sections 355, 357, 361, and 368 of the Code regarding certain matters relating to corporate separations, incorporations, and reorganizations qualifying, in whole or in part, for nonrecognition of gain or loss (proposed technical regulations) and requesting public comment.

On the same date, the Treasury Department and the IRS also published a notice of proposed rulemaking (REG-116085-23) in the *Federal Register* (90 FR 4687) setting forth proposed regulations that would require multi-year tax reporting for corporate separations and related transactions (proposed reporting regulations). The proposed reporting regulations were

consistent with recommendations set forth in a report published by the Treasury Inspector General for Tax Administration titled “A Strategy Is Needed to Assess the Compliance of Corporate Mergers and Acquisitions with Federal Tax Requirements,” Ref. No. 2019-30-050 (Sept. 5, 2019).

The Treasury Department and the IRS received several comments in response to the proposed technical regulations and the proposed reporting regulations, which generally were critical of the proposed guidance. In response to the comments received, the Treasury Department and the IRS are withdrawing the proposed regulations.

Drafting Information

The principal author of this notice is Justin R. Du Mouchel of the Office of Associate Chief Counsel (Corporate). However, other personnel from the Treasury Department and the IRS participated in its development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and record-keeping requirements.

Withdrawal of Proposed Amendments to the Regulations

Under the authority of 26 U.S.C. 7805, the notices of proposed rulemaking (REG-112261-24 and REG-116085-23) that were published in the *Federal Register* on January 16, 2025 (90 FR 5220 and 90 FR 4687), are withdrawn.

Edward T. Killen,
Acting Chief Tax Compliance Officer.

(Filed by the Office of the Federal Register September 29, 2025, 8:45 a.m., and published in the issue of the Federal Register for September 30, 2025, 90 FR 46776)

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the

new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.

ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
FR—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.

PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2025–52, dated December 22, 2025.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2025–52, dated December 22, 2025.

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