

UnitedHealth. “I’m paying into [UnitedHealth], and they will not permit me to get a surgery that would allow me to return to work and a functional lifestyle. It is beyond infuriating,” she said.

When Ginkel heard that UnitedHealth was receiving “billions of dollars in tax breaks,” she said, “That tells me it’s not about them not having money” to provide care. ■

Tailors, Plumbers Among 68 Jobs To Be Eligible for Tip Deduction

by Alexander Rifaat

Tax policy watchers are cautiously optimistic following the release of a preliminary Treasury list of occupations that will be eligible to deduct tipped income.

The list, dated August 27 and made public September 2, contains 68 separate job titles divided into eight separate industry categories: beverage and food service; entertainment and events; hospitality and guest services; home services; personal services; personal appearance and wellness; recreation and instruction; and transportation and delivery. The list was first reported by *Axios* September 1.

The deduction for tipped income was a key campaign pledge by President Trump in last year’s presidential election and passed into law as part of the One Big Beautiful Bill Act (P.L. 119-21). It allows for single filers who earn up to \$150,000, or married couples who earn up to \$300,000, to deduct up to \$25,000 in certain tipped income.

The preliminary list notes that the official list of tipped occupations eligible for the deduction will be published in coming proposed regulations.

“Treasury and the IRS anticipate that the official proposed list will be substantially the same as this preliminary list,” the document states. “Public comments will be requested on the official proposed list of occupations and other aspects of the proposed regulations.”

A Comprehensive Approach

Tax professionals and observers who spoke to *Tax Notes* were mostly positive in their reaction to how Treasury has begun to address the question of which occupations would be eligible for the exemption.

“It’s fairly expansive. I’m pleasantly surprised that it seems they took the time to think about all the different types of professions that maybe are not customarily seen as tipped professions,” Heather Posey of Frost Law said.

Posey said she was expecting the IRS to base its list on an already-established list of workers eligible for a federal tip credit.

Michael K. Mahoney of Ogletree Deakins said he believes the longer-than-expected list is a sign of a more deliberate effort by Treasury.

“The breadth of occupations Treasury has included reflects the modern reality that tipping extends far beyond traditional restaurant and hospitality roles. By recognizing workers in fields like home services, personal care, and even digital content creation, Treasury is acknowledging the evolving ways Americans earn tips,” Mahoney said. “This comprehensive approach should help ensure the deduction is accessible to a wide range of workers who rely on gratuities as a significant part of their income.”

Darren Guillot of Alliantgroup LP also lauded the list and said it could provide a “shot in the arm” to large swathes of the economy.

Potential Headaches

Other observers pointed to potential drawbacks stemming from the expansiveness of the list.

“This is a much broader set of occupations than I think some were expecting. As such, the policy could end up being more expensive than previously anticipated,” Alex Muresianu of the Tax Foundation said.

The provision, which sunsets in 2028, has been estimated to cost nearly \$32 billion over 10 years.

Muresianu added that a surge in eligible workers could create a logistical headache for taxpayers and the IRS. “It could make compliance issues at the IRS more challenging, seeing that the door for so many occupations is being opened for this provision,” he said.

Mahoney also warned of the potential reporting hurdles.

“Many of these occupations — such as home repair workers, digital content creators, or private event photographers — may not have established systems for tracking and reporting tips,” Mahoney said. “This could create challenges for both workers and the IRS in verifying tip income and ensuring accurate reporting.”

Transition Relief and Clarity

According to Posey, the onus is now on Treasury and the IRS to formulate guidance so taxpayers know not only how they should be

reporting their tipped income but, because the provision was enacted retroactively, also any tipped income received since the start of the year.

“A key question is what type of transition relief the IRS is going to provide. Because as of right now, they haven’t announced anything and we’re only a few months away from tax season,” Posey said.

Guillot said the Trump administration will need to prioritize clarity when issuing guidance to service workers.

“The IRS and Treasury have an obligation to make sure . . . they make the rules as easy to understand as possible. There’s no reason this can’t be conveyed in an instructive way using plain English,” said Guillot, a former commissioner of the IRS Small Business/Self-Employed Division.

Guillot, echoing similar sentiments made by administration officials, added that the agency’s adoption of artificial intelligence could improve its auditing practices and expedite the identification of bad actors misusing the provision.

“In the past, those analytics could take years to be refined and get good at catching anomalies, but once you add machine learning . . . you’re talking about improving analysis in a matter of weeks and months,” Guillot said. ■