



October 22, 2025

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Washington, D.C. 20044
CC:PA:01:PR (REG-110032-25)

**Re: Proposed Rule on Occupations That Customarily and Regularly Received Tips;
Definition of Qualified Tips (REG-110032-25)**

National Taxpayers Union Foundation (“NTUF”) writes on the Department of the Treasury and Internal Revenue Service’s (“IRS”) proposed rule on Occupations That Customarily and Regularly Received Tips; Definition of Qualified Tips (REG-110032-25) (the “Proposed Rule”). We further request a public hearing on October 23, 2025 or any other date set to consider this Proposed Rule.

NTUF has been a leader in defending taxpayers and promoting responsible tax administration for more than five decades. We strive to offer practical and actionable recommendations about how our tax system should function. Our experts and advocates engage in in-depth research projects and informative, scholarly work pertaining to taxation in all aspects. Earlier this year, NTUF produced crucial research that guided policymakers as they developed the One Big Beautiful Bill Act containing the “no tax on tips” provision.

Given this background, we write to support the proposed definition of qualified tips and request clarification of several terms before finalizing the rule. The definition of qualified tips in the Proposed Rule adheres to statutory requirements that tips be limited to cash or cash equivalents, provided voluntarily, and exclude those received in the course of a specified service trade or business (SSTB). We request further clarification on the following items.

Qualifying Occupations List

NTUF agrees with the Proposed Rule’s list of occupations that customarily and regularly received tips before December 31, 2024. NTUF also appreciates the thoughtful approach taken to develop the Treasury Tipped Occupation Code (TTOC) system that parallels the existing Standard Occupational Classification (SOC) system. The published list of occupations accurately reflects those intended by Congress to receive the tax deduction. NTUF suggests that the IRS further specify which occupations qualify and provide transparency as to how it

intends to interpret whether an occupation falls into those listed as qualifying when the Proposed Rule is finalized.

For example, it is currently unclear whether assistants to various occupations qualify, which is especially important for those requiring occupational licensure. The Proposed Rule specifically includes shampoo assistants as eligible for the deduction under TTOC 604 Shampooers, yet does not include assistants for any other occupation. The Proposed Rule also specifies that tip income generated from illegal activity does not qualify. This definition should not encompass not having the appropriate occupational license for the qualifying occupation. The IRS should specify whether unlicensed assistants, apprentices, and other helpers qualify for the deduction.

In addition, we recommend that the IRS consult public comments to Federal Register Docket BLS-2024-0001, which closed its comment period in August 2024, when considering additional qualifying occupations. Federal Register Docket BLS-2024-0001 provided an opportunity for public comment on the addition of occupation codes to the SOC system to be included in the next SOC update, due to occur in 2028. With the TTOC system closely mirroring the SOC system, it is important to ensure that occupations potentially left out of the SOC system are accounted for by the IRS in its development of the TTOC.

Electronic Settlements

The inclusion of digital creators in the list of eligible occupations has raised questions about the types of digital content eligible for the deduction, some of which this Proposed Rule attempts to answer. However, we request further clarification on the specific methods for tipping that digital creators are eligible to claim.

In addition to eligible occupations, the Proposed Rule develops eligibility criteria around the tips themselves. Only cash tips are eligible, yet this can also include “any other form of electronic settlement or mobile payment application that is denominated in cash.” This can be interpreted as encompassing tips provided through third-party settlement organizations (TPSOs) such as PayPal, Venmo, and CashApp. The Proposed Rule further specifies that only voluntary tips are eligible to be claimed under the deduction, specifically that the tip is provided “without any consequence in the event of nonpayment.”

Digital content creators may receive income from streaming platforms, subscription platforms, or other web-based platforms for content creators. Such websites include Twitch, Patreon, or Kick. Other digital content creators may receive income that more closely resembles tips from platforms such as TikTok, which allows users to give tips to content creators through the third-party Stripe. Income from these platforms are typically reported on a Form 1099-NEC.

Taxpayers reporting income from digital content creation need further clarification regarding their eligibility to claim the deduction. Subscription-based platforms that offer exclusive access to content in exchange for funds should not qualify, whereas electronic payments that do not provide exclusive content access, are not recurring, and allow the tip amount to be entirely

determined by the payer should be considered as eligible for the deduction. Informal guidance would be useful for digital content creators to understand how to track and report potentially eligible tip income.

Stablecoins

The Proposed Rule provides a definition for cash tips in response to the law's definition of qualified tips as cash tips. According to the rule, cash tips include those paid with tangible or intangible tokens exchangeable for a fixed amount of cash. The inclusion of tokens exchangeable for a fixed amount of cash allows for casino chips, vouchers, and other stored-value tokens to be considered qualified tips. However, the IRS specifies that most digital assets do not qualify as they are not exchangeable for a fixed amount of cash.

NTUF asks that the IRS clarify that certain stablecoins are included in the definition of cash tips in relation to qualified tips under this provision. The specific exclusion of "most digital assets" due to their inability to be exchanged for a fixed amount of cash suggests that some digital assets may qualify as cash tips. Stablecoins are intangible tokens designed to maintain a fixed value pegged to the U.S. dollar and therefore may qualify.

On July 18, 2025, the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS) Act (P. L. 119-27) was signed into law providing a legal framework for payment stablecoins. The GENIUS Act requires permitted stablecoin issuers to hold a reserve of U.S. dollar or other similarly liquid assets backing the stablecoin to ensure it maintains its fixed value. Collateralized stablecoins meeting the regulatory specifications under the GENIUS Act should be included in the definition of cash tips in relation to qualified tips.

Foreign Currency and Foreign Sourced Income

The IRS should clarify whether foreign-sourced tip income and domestic-sourced foreign currency income qualify for the deduction. The deduction can be presumed to only apply to domestic-sourced income, yet clarifying the qualification of foreign currency sourced both domestically and abroad would be useful for taxpayers.

While the Proposed Rule provides several methods by which an individual may provide a cash tip—such as payment cards or checks—it does not clarify the definition's applicability to foreign currency. Taxpayers must express their earnings on their U.S. tax return in U.S. dollars. Certain U.S.-based taxpayers working in occupations listed as eligible in the Proposed Rule may receive tip income in foreign currency. Tour guides, hotel clerks, and some transportation service providers may receive income in foreign currency. For example, a tipped employee may work at a tourist attraction near the border, such as Niagara Falls (which straddles the U.S. and Canadian border). The IRS should clarify that foreign currency tips received by taxpayers in the U.S. qualify as cash tips under existing U.S. income tax rules, specifically that taxpayers must immediately translate foreign currency tips into U.S. dollars for purposes of the deduction.

Furthermore, the statute does not specify whether foreign-sourced tip income is eligible under this provision. This is important for American taxpayers abroad that must report their worldwide income for U.S. tax purposes. Americans abroad are typically subject to the foreign earned income exclusion and foreign tax credits, limiting their U.S. tax liability. Currently the language is unclear if it would apply to a U.S. citizen earning money working in a cafe in France, for example. We recommend further clarifying applicability to foreign-sourced income.

Request for Testimony

The Proposed Rule triggers complex tax and labor law analyses. They also implicate areas of sensitive public policy and possible unintended consequences. As a result, oral testimony from National Taxpayers Union Foundation may be helpful to the IRS. Therefore, we request the chance to present oral testimony at a hearing on either October 23, 2025 or any other date the IRS designates for this Proposed Rule.

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NTUF is grateful for the opportunity to comment on the Proposed Rule and appreciates thoughtful and expedient proposal of rules to implement the “no tax on tips” provision of the One Big Beautiful Bill Act.

Respectfully submitted,

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