

No-tax-on-tips savings calculator

How much federal income tax does the new “no tax on tips” deduction save me?

How it works

1. Add up the year's qualified tips: voluntary tips you report, not service fees.
2. The deduction is up to \$25,000 of tips a year (tax years 2025–2028). It can't be more than the profit from the work that earned the tips, and it shrinks by \$100 for every \$1,000 of income over \$150,000 (\$300,000 married filing jointly).
3. Work out federal income tax with and without the deduction, using 2026 brackets, the standard deduction and the 20% business income deduction. The difference is the saving.
4. Self-employment tax (15.3%) still applies to tips, and many states still tax them.

Worked example

A single driver with \$12,000 in tips and \$38,000 of other gig profit deducts all \$12,000 of tips. Federal income tax drops from about \$2,667 to \$1,515: a saving of about **\$1,152**. Self-employment tax of about \$7,065 is unchanged.

2026 figures used

FIGURE	2026	SOURCE
Tips deduction cap	\$25,000 a year, 2025–2028	Federal Register: final rules on qualified tips
Phase-out	\$150,000 single / \$300,000 joint	Federal Register: final rules on qualified tips
Standard deduction (single)	\$16,100	IRS 2026 inflation adjustments
Self-employment tax	15.3%	IRS: self-employment tax



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For planning, not tax advice. Check with a tax professional for your situation. Figures as of October 2026; updated each January. Source list: nettakehome.com/guides/2026-tax-numbers/