

IRM PROCEDURAL UPDATE

DATE: 12/01/2025

NUMBER: ts-21-1225-3693

SUBJECT: 1099-MISC and 1099-NEC Requirements (Section 70433); No Tax on Tips (Section 70201) and No Tax on Overtime (Section 70202) of One, Big, Beautiful Bill Act (OBBBA)

AFFECTED IRM(s)/SUBSECTION(s): 21.7.2

CHANGE(s):

IRM 21.7.2.4.6.1 Added 2026 reporting compensation amount for H-2A workers increased under Section 70433 of One, Big, Beautiful Bill Act (OBBBA).

(1) All cash wages paid to farm workers are subject to FICA (including Additional Medicare Tax to the extent wages and tips paid to an employee exceed \$200,000 for a calendar year beginning after December 31, 2012) and income tax withholding during the year, if either of the two tests below is met:

- a. Cash and non-cash wages paid during the year to all farm workers totals \$2,500 or more.
- b. Annual cash wages of \$150 or more are paid to a farm worker (this test is applied separately to each farm worker).

(2) Cash wages paid to a farm worker who receives less than \$150 during the year are not subject to FICA and income tax withholding, even if the total paid to all employees exceeds \$2,500 or more, if the farm worker:

- a. Is employed as a hand-harvest laborer
- b. Is paid piece-rates in an operation usually paid on a piece-rate basis in the region of employment
- c. Commutes daily from their permanent home to the farm, and
- d. Had been employed in agriculture less than 13 weeks in the preceding calendar year

Note: Amounts paid to these farm workers, however, count toward the \$2,500 or more test for determining the social security and Medicare liability regarding other farm workers.

(3) Cash wages paid to a household worker are not counted in the \$2,500 test and are not subject to FICA taxes unless the worker is paid cash wages at least equal to the threshold established by the Social Security Domestic Employment Reform Act of 1994 (SSDERA) for that particular year. Wage thresholds may be found in Pub 926, *Household Employer's Tax Guide*, for the year in question.

(4) Foreign agricultural workers may be temporarily admitted into the United States on H-2A visas:

- Compensation paid to H-2A agricultural workers are not subject to social security or Medicare taxes. However, compensation paid to H-2A agricultural workers is counted towards the tests discussed in (1) and (2) above.
- Employers are not required to withhold federal income tax from compensation paid to an H-2A visa agricultural worker. However, if both the employer and employee agree, federal income tax may be withheld from compensation and those amounts would be reportable on Form 943.
- H-2A agricultural workers are eligible to obtain a Social Security Number (SSN) from the Social Security Administration (SSA) and should provide that information to the agricultural employer. An H-2A agricultural worker who fails to provide the employer with their Taxpayer Identification Number (TIN) may be subject to backup withholding (BUWH) which would be reportable on Form 945.
- Employers must report compensation of \$600 (\$2,000 beginning in 2026) or more paid to an H-2A agricultural worker in a calendar year for agricultural labor on Form W-2, *Wage and Tax Statement*.
- Additional information may be found on the IRS website at: Foreign Agricultural Workers on H-2A Visas.

IRM 21.7.2.4.10 Added subsection No Tax on Tips (Section 70201) and No Tax on Overtime (Section 70202) of One, Big, Beautiful Bill Act (OBBBA).

(1) The One, Big, Beautiful Bill Act (OBBBA), was signed into law on July 4, 2025 as Public Law 119-21. This subsection provides information on the no tax on tips (Section 70201) and no tax on overtime (Section 70202) provision of OBBBA. These provisions are effective January 1, 2025 through December 31, 2028.

(2) **No tax on tips (Section 70201) of OBBBA** - Employees and self-employed individuals may deduct qualified tips received in occupations listed by the IRS as customarily and regularly receiving tips, and that are reported on an information return, such as, Form W-2 or Form 1099. Information regarding qualified occupations and the definitions of qualified tips can be found at [irs.gov](https://www.irs.gov) One, Big, Beautiful Bill provisions. Tips remain subject to both the employer share and employee share of social security tax and Medicare tax if the tips received are \$20 or more per month.

(3) **No tax on overtime (Section 70202) of OBBBA** - Individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay (such as the “half” portion of “time-and-a-half” compensation) that is required by the Fair Labor Standards Act (FLSA) and reported on a Form W-2 or Form 1099. Information regarding no tax on overtime can be found at [irs.gov](https://www.irs.gov) One, Big, Beautiful Bill provisions. Overtime compensation remains subject to both the employer share and employee share of social security tax and Medicare tax.

(4) The No tax on tips (Section 70201) and no tax on overtime (Section 70202) provision of OBBBA require employers and other payors to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tips recipient, and the total amount of qualified overtime compensation paid during the year. The IRS will provide transition relief for tax year 2025 for taxpayers claiming the deduction and for employers and other payors subject to the new reporting requirements. See IR-2025-110 and Notice 2025-62 for more information regarding penalty relief for information reporting on qualified tips and qualified overtime under OBBBA

(5) More information regarding no tax on tips (Section 70201) and no tax on overtime (Section 70202) of OBBBA can be found on [irs.gov](https://www.irs.gov) under One, Big, Beautiful Bill provisions and in the Pub 15, *(Circular E), Employer's Tax Guide*, 2026 version.

IRM 21.7.2.7(11) Updated IDRS number for ERC adjacent/related cases to 0430404307.

(11) **Specialization of COVID-related credit PAPER cases within AM.** Form 94XX and other paper cases involving COVID-related employment tax credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages and COBRA Premium Assistance Credit) received within AM will be handled by designated employees (only). Submission Processing (SP) is screening Form 94XX work prior to ICT scanning to identify claims for ERC and Credit for Qualified Sick and Family Leave Wages (but not claims for COBRA Premium Assistance Credit). Cases identified by SP will be assigned with case Priority Code 1 for ERC cases and case Priority Code 3 for Credit for Qualified Sick and Family Leave Wages cases. However, to ensure proper tracking and delivery, employees must take the following actions when such cases are identified in AM inventory, including those missed during SP screening:

- **Unprocessed Form 94XX ERC claims (tax decreases or credit increases) including correspondence with unprocessed Form 94XX claims attached:** Unprocessed Forms 94XX (or duplicate filed employment tax returns being processed as a Form 94XX), including correspondence with unprocessed Form 94XX claims attached, reporting ERC related tax decreases or credit increases are to be controlled with **Priority Code 1**, case category **SPC6**, and IDRS number **0230281416**. Use OFP Code 710-10056 when processing ERC claims.

Note: Case category SPC6 is also used with ERC claim withdrawal requests as discussed in (3) of IRM 21.7.2.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*.

- **Unprocessed Spanish Form 941X (SP) ERC Claims that have NOT had RAAS analysis completed:** should remain in IDRS number 0230281416.

- **Unprocessed Spanish Form 941X (SP) ERC claims (tax decreases or credit increases) including Spanish correspondence with unprocessed Form 941X (SP) claims attached with RAAS analysis completed:** Unprocessed Spanish Forms 94XX or duplicate filed employment tax returns being processed as a Form 941X (SP), including correspondence with unprocessed Form 94X1X (SP) claims attached, reporting ERC related tax decreases or credit increases **with completed** RAAS analysis are to be controlled with **Priority Code 1**, case category **SPC6**, and IDRS number **0433098080**. Use OFP Code 710-10056 when processing ERC claims.
- **Forms 94XX reporting ERC reversals (tax increases or credit decreases):** Forms 94XX (or duplicate filed employment tax returns being processed as a Form 94XX) reporting ERC related tax increases or credit decreases are to be controlled with IDRS number **0430404307** with no priority code and with the usual case category.
- **ERC Adjacent/Related cases (including correspondence):** Paper cases involving ERC related inquiries are to be controlled with **Priority Code 1**, usual case category, and IDRS number **0430404307**.

Exception: If the case includes or is in regards to an unprocessed ERC claim, follow guidance in the first bullet above.

- **Spanish ERC Adjacent/Related cases (including correspondence):** Spanish paper cases involving ERC related inquiries are to be controlled with **Priority Code 1**, usual case category, and IDRS number **0433055447**.
- **Replies to ERC disallowance letters 105C or 106C:** Replies to full and partial disallowance letters (105C and 106C) issued on ERC claims are to be controlled with **Priority Code 1**, case category **SPC6**, and IDRS number **0234086256**.

Exception: If the case includes or is in regards to an unprocessed Spanish ERC claim, follow guidance in the third bullet above, specific to unprocessed Spanish Form 941X (SP) ERC claims.

- **Cases involving Credit for Qualified Sick and Family Leave Wages:** Form 94XX and other paper cases involving claims for Credit for Qualified Sick and Family Leave Wages are to be controlled with **Priority Code 3**, usual case category, and IDRS number **0430404307**.

Exception: If the case also involves ERC, follow guidance in the first, second or third bullets above as appropriate.

- **Cases involving Credit for COBRA Premium Assistance Credit:** Form 94XX and other paper cases involving claims for COBRA Premium Assistance Credit are to be controlled with IDRS number **0430404307** with no priority code and with the usual case category.

Exception: If the case also involves ERC, follow guidance in the first, second or third bullets above as appropriate.

Note: The appropriate Priority Code **must** be recorded on CII cases for ERC claims (tax decreases or credit increases) and Credit for Qualified Sick and Family Leave Wage cases prior to closing the case. Case category **SPC6** must be recorded on CII cases for ERC claims (tax decreases or credit increases) prior to closing the case.

Caution: If a non-COVID-related case is identified in the inventory of COVID-related credit cases (either assigned to IDRS number 0230281416 or to an employee designated to work COVID-related credit cases), remove any Priority Code 1 or Priority Code 3 recorded for the case on CII and reassign it to either IDRS number **0230274769** (CAMC) or **0440078330** (OAMC) as appropriate.

Reminder: See (3) in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, for instructions on controlling inquiries and cases involving deferred social security tax.