



TAX YEAR

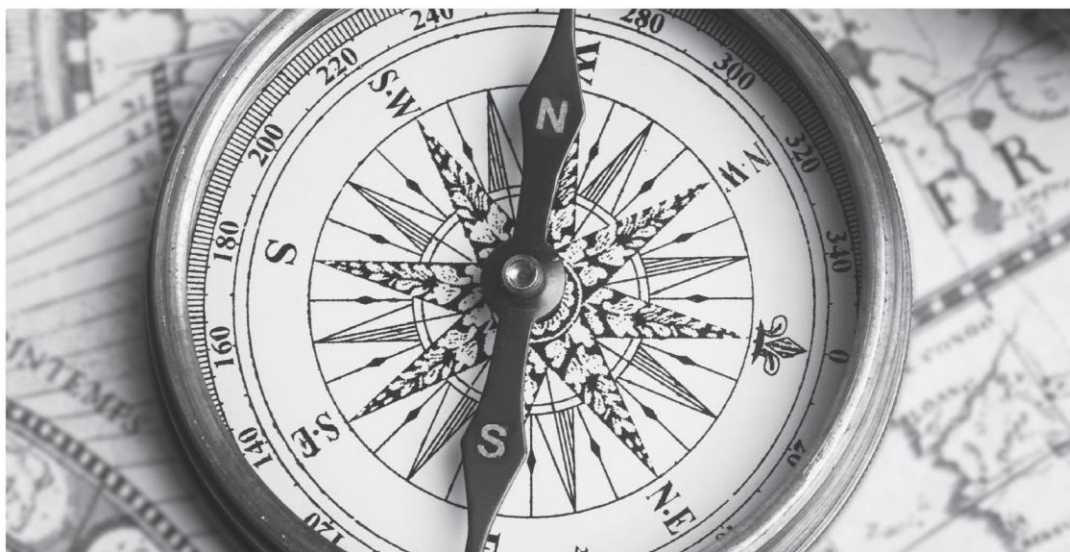
**2025**

# 1040 (and 1040-SR)

## Instructions

Including the instructions for Schedules 1  
through 3

Volume 5 of 7



### 2025 Changes

See *What's New* in these instructions.

### Future Developments

See [IRS.gov](https://www.irs.gov) and [IRS.gov/Forms](https://www.irs.gov/forms), and for the latest information about developments related to Forms 1040 and 1040-SR and their instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1040](https://www.irs.gov/Form1040).



Free File is the fast, safe, and free way to prepare and e-file your taxes. See [IRS.gov/FreeFile](https://www.irs.gov/FreeFile).

**Pay Online.** It's fast, simple, and secure. Go to [IRS.gov/Payments](https://www.irs.gov/Payments).



Department of the Treasury  
**Internal Revenue Service**

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# **Instructions for Schedule 1**

## **Additional Income and Adjustments to Income**

### **General Instructions**

Use Schedule 1 to report income or adjustments to income that can't be entered directly on Form 1040, 1040-SR, or 1040-NR.

Additional income is entered on Schedule 1, Part I. The amount on line 10 of Schedule 1 is entered on Form 1040, 1040-SR, or 1040-NR, line 8.

Adjustments to income are entered on Schedule 1, Part II. The amount on line 26 is entered on Form 1040, 1040-SR, or 1040-NR, line 10.

### **Form(s) 1099-K**

If, for tax year 2025, you received a Form(s) 1099-K that shows payments that were included in error

(for example, money for gifts or reimbursements) or for personal items that you sold at a loss (for example, an old refrigerator), enter the amount that was included in error or for personal items sold at a loss in the entry space at the top of Schedule 1.

- If the entire amount reported to you on Form(s) 1099-K was in error or for personal items sold at a loss, enter the total amount from Form(s) 1099-K, box 1(a), in the entry space at the top of Schedule 1.
- If only some of the amount reported to you on Form(s) 1099-K in box 1(a) was in error or for personal items sold at a loss, only enter the amount that was in error or for personal items sold at a loss in the entry space at the top of Schedule 1.

The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transactions.

- If you received more than one incorrect Form(s) 1099-K, with amounts reported in error or for personal items sold at a loss, add the incorrect amounts together and enter the total incorrect amount in the entry space at the top of Schedule 1. The remaining amounts reported to you on Form(s) 1099-K in box 1(a) should be reported elsewhere on your return depending on the nature of the transactions.



*If you received a Form 1099-K for a personal item that you sold at a gain, don't report this amount in the entry space at the top of Schedule 1; instead, report it as you would report any other capital gain on Form 8949 and Schedule D.*



*For 2025, payment card companies, payment apps, and online marketplaces will be required to send you a Form 1099-K only if the amount of your business transactions during the year is more than \$20,000 and the total number of your transactions is more than 200.*

***Example—Incorrect Form 1099-K.*** You received a Form 1099-K that incorrectly showed \$800 of payments to you in box 1(a). You would enter \$800 in the entry space at the top of Schedule 1.

***Example—Personal item sold at a loss.*** You bought a couch for \$1,000 and sold it through a third-party vendor for \$700, which was reported in box 1(a) of your Form 1099-K. You would enter \$700 in the entry space at the top of Schedule 1.

***Example—Personal items sold at a loss and a gain.*** In addition to selling your couch for \$700, you also sold a handbag that you bought for \$800 and sold for \$1,200.

Your Form 1099-K shows \$1,900 in box 1(a). You would enter \$700 in the entry space at the top of Schedule 1 for your loss on selling the couch, and the remaining \$400 of gain from the sale of the handbag would be reported as capital gain on Form 8949 and Schedule D.

***Example—Multiple incorrect Form(s)***

**1099-K.** You received a Form 1099-K that incorrectly showed \$800 of payments to you in box 1(a). You also received a Form 1099-K that reported \$6,000 in box 1(a) but \$700 of that amount was reported in error. You would enter \$1,500 in the entry space at the top of Schedule 1. The remaining \$5,300 should be reported elsewhere on your return depending on the nature of the transactions.

# Additional Income

## Line 1

### Taxable Refunds, Credits, or Offsets of State and Local Income Taxes



*None of your refund is taxable if, in the year you paid the tax, you either (a) didn't itemize deductions, or (b) elected to deduct state and local general sales taxes instead of state and local income taxes.*

If you received a refund, credit, or offset of state or local income taxes in 2025, you may be required to report this amount. If you didn't receive a Form 1099-G, check with the government agency that made the payments to you. Your 2025 Form 1099-G may have been made available to you only in an electronic format, and you will need to get instructions from the agency to retrieve this document. Report any taxable refund you received even if you didn't receive Form 1099-G.



If you chose to apply part or all of the refund to your 2025 estimated state or local income tax, the amount applied is treated as received in 2025. If the refund was for a tax you paid in 2024 and you deducted state and local income taxes on your 2024 Schedule A, use the State and Local Income Tax Refund Worksheet in these instructions to see if any of your refund is taxable.

**Exception.** See *Itemized Deduction Recoveries* in Pub. 525 instead of using the State and Local Income Tax Refund Worksheet in these instructions if any of the following applies.

1. You received a refund in 2025 that is for a tax year other than 2024.
2. You received a refund other than an income tax refund, such as a general sales tax or real property tax refund, in 2025 of an amount deducted or credit claimed in an earlier year.

3. You had taxable income on your 2024 Form 1040 or 1040-SR, line 15, but no tax on your Form 1040 or
4. 1040-SR, line 16, because of the 0% tax rate on net capital gain and qualified dividends in certain situations.
5. Your 2024 state and local income tax refund is more than your 2024 state and local income tax deduction minus the amount you could have deducted as your 2024 state and local general sales taxes.
6. You made your last payment of 2024 estimated state or local income tax in 2025.
7. You owed alternative minimum tax in 2024.
8. You couldn't use the full amount of credits you were entitled to in 2024 because the total credits were more

than the amount shown on your 2024 Form 1040 or 1040-SR, line 16.

9. You could be claimed as a dependent by someone else in 2024.
10. You received a refund because of a jointly filed state or local income tax return, but you aren't filing a joint 2025 Form 1040 or 1040-SR with the same person.

## **Lines 2a and 2b**

### **Alimony Received**

#### **Line 2a**

Enter amounts received as alimony or separate maintenance pursuant to a divorce or separation agreement entered into on or before December 31, 2018, unless that agreement was changed after December 31, 2018, to expressly provide that alimony received isn't included in your income.

Alimony received is not included in your income if you entered into a divorce or separation agreement after December 31, 2018. If you are including alimony in your income, you must let the person who made the payments know your social security number. If you don't, you may have to pay a penalty. For more details, see Pub. 504.

If you are including alimony payments from more than one divorce or separation agreement in your income, enter the total of all alimony received on line 2a.

### **Line 2b**

On line 2b, enter the month and year of your original divorce or separation agreement that relates to the alimony payment, if any, reported on line 2a.

If you have alimony payments from more than one divorce or separation agreement, on line 2b enter the month and year of the divorce or separation agreement for which

you received the most income. Attach a statement listing the month and year of the other agreements.

## **Line 3**

### **Business Income or (Loss)**

If you operated a business or practiced your profession as a sole proprietor, report your income and expenses on Schedule C.

## **Line 4**

### **Other Gains or (Losses)**

If you sold or exchanged assets used in a trade or business, and are filing Form 4797, include the amount from Form 4797, line 18b, on line 4 and check the "4797" box.

For more information, see the Instructions for Form 4797.

If Form 4797 isn't otherwise required, include the amount from Form 4684, line 31, on line 4 and check the "4684" box.

For more information, see the Instructions for Form 4684.

## **Line 7**

### **Unemployment Compensation**

You should receive a Form 1099-G showing in box 1 the total unemployment compensation paid to you in 2025. Report this amount on line 7.



*If the amount reported in box 1 of your Form(s) 1099-G is incorrect, report on line 7 only the actual amount of unemployment compensation paid to you in 2025.*

If you made contributions to a governmental unemployment compensation program and you aren't itemizing deductions, reduce the amount you report on line 7 by those contributions. If you are itemizing deductions, see the instructions on Form 1099-G.

If you received an overpayment of unemployment compensation in 2025, subtract the amount you repaid from the total amount you received. Enter the result on line 7. Also, check the box on line 7 and enter the amount you repaid in the entry space. If, in 2025, you repaid more than \$3,000 of unemployment compensation that you included in gross income in an earlier year, see *Repayments* in Pub. 525 for details on how to report the payment.



*Beginning in 2025, if you made contributions to a governmental paid family leave program, you will now include the full amount of those contributions in your income. If you itemize your deductions on Schedule A, you can include the amounts contributed as part of the state and local taxes that you paid.*



*If you received unemployment compensation in 2025, your state may issue an electronic Form 1099-G instead of it being mailed to you. Check your state's unemployment compensation website for more information.*



State and Local Income Tax Refund Worksheet—Schedule 1, Line 1

Before you begin:

✓

Be sure you have read the *Exception* in the instructions for this line to see if you can use this worksheet instead of Pub. 525 to figure if any of your refund is taxable.

1.

Enter the income tax refund from **Form(s) 1099-G** (or similar statement). But **don't** enter more than the amount of your state and local income taxes shown on your 2024 Schedule A, line 5d

1.

2.

Is the amount of state and local income taxes (or general sales taxes), real estate taxes, and personal property taxes paid in 2024 (generally, this is the amount reported on your 2024 Schedule A, line 5d) more than the amount on your 2024 Schedule A, line 5e?

☐ No.

Enter the amount from line 1 on line 3 and go to line 4.

☐ Yes.

Subtract the amount on your 2024 Schedule A, line 5e, from the amount of state and local income taxes (or general sales taxes), real estate taxes, and personal property taxes paid in 2024 (generally, this is the amount reported on your 2024 Schedule A, line 5d).

}

2.

3.

Is the amount on line 1 more than the amount on line 2?

☐ No.

STOP

None of your refund is taxable.

☐ Yes.

Subtract line 2 from line 1.

}

3.

4.

Enter your total itemized deductions from your 2024 Schedule A, line 17.

4.

Note.

If the filing status on your 2024 Form 1040 or 1040-SR was married filing separately and your spouse itemized deductions in 2024, skip lines 5 through 7, enter the amount from line 4 on line 8, and go to line 9.

5.

Enter the amount shown below for the filing status claimed on your 2024 Form 1040 or 1040-SR.

• Single or married filing separately—\$14,600

• Married filing jointly or qualifying surviving spouse—\$29,200

• Head of household—\$21,900

}

5.

6.

Check any boxes that apply.\*

☐ You were born before January 2, 1960.

☐ You are blind.

☐ Spouse was born before January 2, 1960.

☐ Spouse is blind.

No boxes checked. Enter -0-.

Multiply the number of boxes checked by \$1,550 (\$1,950 if your 2024 filing status was single or head of household).

6.

\*If your filing status is married filing separately, you can check the boxes for your spouse only if your spouse had no income, isn't filing a return, and can't be claimed as a dependent on another person's return.

7.

Add lines 5 and 6

7.

8.

Is the amount on line 7 less than the amount on line 4?

☐ No.

STOP

None of your refund is taxable.

☐ Yes.

Subtract line 7 from line 4

8.

9.

Taxable part of your refund. Enter the **smaller** of line 3 or line 8 here and on Schedule 1, line 1

9.

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## **Lines 8a Through 8z**

### **Other Income**

*Do not report on lines 8a through 8z any income from self-employment or fees received as a notary public. Instead, you must use Schedule C, even if you don't have any business expenses. Also don't report on lines 8a through 8z any nonemployee compensation shown on Form 1099-MISC, 1099-NEC, or 1099-K (unless it isn't self-employment income, such as income from a hobby or a sporadic activity). Instead, see the Instructions for Recipient included on Form 1099-MISC, or 1099-NEC, to find out where to report that income. For more information about what is being reported on Form 1099-K, see the Instructions for Payee included on that form and visit [IRS.gov/1099K](https://www.irs.gov/1099K).*

### **Line 8a**

**Net operating loss (NOL) deduction.** Enter any deduction for an NOL from an earlier

year. Enter the amount in the preprinted parentheses (as a negative number). The amount of your deduction will be subtracted from the other amounts of income listed on lines 8b through 8z. See the Instructions for Form 172 for details.

## **Line 8b**

**Gambling.** Enter gambling winnings not attributable to a trade or business. Gambling winnings include lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for Schedule A, line 16.



*Attach Form(s) W-2G to Form 1040 or 1040-SR if any federal income tax was withheld.*

## **Line 8c**

**Cancellation of debt.** Enter any canceled debt. Canceled debt may be shown in box 2 of Form 1099-C.

However, part or all of your income from cancellation of debt may be nontaxable. See Pub. 4681 or go to IRS.gov and enter “canceled debt” or “foreclosure” in the search box.

## **Line 8d**

**Foreign earned income exclusion and housing exclusion from Form 2555.** Enter the amount of your foreign earned income and housing exclusion from Form 2555, line 45. Enter the amount in the preprinted parentheses (as a negative number). The amount from Form 2555, line 45, will be subtracted from the other amounts of income listed on lines 8a through 8c and lines 8e through 8z.

Complete the Foreign Earned Income Tax Worksheet if you enter an amount on Form 2555, line 45.

## Line 8e

**Income from Form 8853.** Enter the total of the amounts from Form 8853, lines 8, 12, and 26. See Pub. 969.



*You may have to pay an additional tax if you received a taxable distribution from an Archer MSA or Medicare Advantage MSA. See the Instructions for Form 8853.*

## Line 8f

**Income from Form 8889.** Enter the total of the amounts from Form 8889, lines 16 and 20.



*You may have to pay an additional tax if you received a taxable distribution from a health savings account. See the Instructions for Form 8889.*

## Line 8h

**Jury duty pay.** Enter any jury duty pay and see the instructions for line 24a.

## **Line 8i**

**Prizes and awards.** Enter prizes and awards but see the instructions for line 8m, *Olympic and Paralympic medals and USOC prize money*, later.

## **Line 8j**

**Activity not engaged in for profit income.** See Pub. 525.

## **Line 8k**

**Stock options.** Enter any income from the exercise of stock options not otherwise reported on Form 1040 or 1040-SR, line 1h.

## **Line 8l**

**Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property.** Also see the instructions for line 24b, later.

## **Line 8m**

**Olympic and Paralympic medals and USOC prize money.** The value of Olympic and Paralympic medals and the amount of United States Olympic Committee (USOC) prize money you receive on account of your participation in the Olympic or Paralympic Games may be nontaxable. These amounts should be reported to you in box 3 of Form 1099-MISC. To see if these amounts are nontaxable, first figure your adjusted gross income, including the amount of your medals and prize money.

If your adjusted gross income is not more than \$1,000,000 (\$500,000 if married filing separately), these amounts are nontaxable and you should include the amount in box 3 of Form 1099-MISC on line 8m, then subtract it by including it on line 24c.



## **Line 8n**

**Section 951(a) inclusion.** Section 951 generally requires that a U.S. shareholder of a controlled foreign corporation include in income its pro rata share of the corporation's subpart F income and its amount determined under section 956. Enter on line 8n the sum of any amounts reported on lines 1a through 1h and line 2 of your Forms 5471, Schedule(s) I.

## **Line 8o**

**Section 951A(a) inclusion.** Section 951A generally requires that a U.S. shareholder of a controlled foreign corporation include in income its global intangible low-taxed income (GILTI). Enter on line 8o from your Forms 8992 the sum of any amounts reported on Part II, line 5. Remember to attach copies of your Forms 8992.



*If you made a section 962 election and have an income inclusion under section 951 or 951A, do not report that income on line 8n or 8o, as applicable. Instead, report the tax with respect to the section 962 election on Form 1040 or 1040-SR, line 16, and attach a statement showing how you figured the tax that includes the gross amounts of section 951 and section 951A income.*

## **Line 8p**

### **461(l) excess business loss adjustment.**

Enter the amount of your excess business loss from Form 461, line 16.

## **Line 8q**

### **Taxable distributions from an ABLE**

**account.** Distributions from this type of account may be taxable if (a) they are more than the designated beneficiary's qualified

disability expenses, and (b) they were not included in a qualified rollover. See Pub. 907 for more information.



*You may have to pay an additional tax if you received a taxable distribution from an ABLE account. See the Instructions for Form 5329.*

## **Line 8r**

**Scholarship and fellowship grants not reported on Form W-2.** Enter the amount of scholarship and fellowship grants not reported on Form W-2. However, if you were a degree candidate, include on line 8r only the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 8r.

## **Line 8s**

**Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d.** Certain Medicaid waiver payments you

received for caring for someone living in your home with you may be nontaxable. Your nontaxable Medicaid waiver payments should be reported to you on Form(s) W-2 in box 12, Code II. If nontaxable payments were reported to you in box 1 of Form(s) W-2, report the amount on Form 1040 or 1040-SR, line 1a. If you did not receive a Form W-2 for nontaxable payments, or you received nontaxable payments that you didn't report on line 1a, and choose to include nontaxable amounts in earned income for purposes of claiming a credit or other tax benefit, report the amount on Form 1040 or 1040-SR, line 1d. Then, on line 8s, enter the total amount of the nontaxable payments reported on Form 1040 or 1040-SR, line 1a or 1d, in the entry space in the preprinted parentheses (as a negative number). For more information about these payments, see Pub. 525.

If you do not have a separate trade or business of providing these services, enter any nontaxable Medicaid waiver payments on Schedule 1, line 8s. Also, enter your Medicaid waiver payments reported on Form 1099-MISC or Form 1099-NEC on Form 1040, line 1d.

## **Line 8t**

**Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan.** Enter the amount that you received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental 457 plan. This may be shown in box 11 of Form W-2. If you received such an amount but box 11 is blank, contact your employer or the payer for the amount received.

## **Line 8u**

**Wages earned while incarcerated.** Enter the amount that you received for services

performed while an inmate in a penal institution. You may receive Form(s) W-2 or Form(s) 1099.

## **Line 8v**

**Digital assets not reported elsewhere.** If, in 2025, you received ordinary income in connection with digital assets that isn't reported elsewhere on your return (for example, digital assets, such as income from forks, staking, or mining, which aren't wages reported on line 1a or capital gain or loss reported on Form 8949 and Schedule D), report this income on line 8v. Don't report a gift or inheritance of digital assets on line 8v. For more information, go to [IRS.gov/Digital-Assets](https://www.irs.gov/Digital-Assets)

If you used a broker to effect the sale of a digital asset, your broker should send you Form 1099-DA. You must answer the digital asset question on Form 1040 whether or not you received a Form 1099-DA.

## Line 8z

**Other income.** Use line 8z to report any taxable income not reported elsewhere on your return or other schedules. List the type and amount of income. If necessary, include a statement showing the required information. For more details, see *Miscellaneous Income* in Pub. 525.

Examples of income to report on line 8z include the following.

- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, general sales taxes, or home mortgage interest. See *Recoveries* in Pub. 525 for details on how to figure the amount to report.
- Reemployment trade adjustment assistance (RTAA) payments. These payments should be shown in box 5 of Form 1099-G.

- Loss on certain corrective distributions of excess deferrals. See Retirement Plan Contributions in Pub. 525.
- Dividends on insurance policies if they exceed the total of all net premiums you paid for the contract.
- Recapture of a charitable contribution deduction relating to the contribution of a fractional interest in tangible personal property. See Fractional Interest in Tangible Personal Property in Pub. 526. Interest and an additional 10% tax apply to the amount of the recapture. See the instructions for Schedule 2, line 17g.
- Recapture of a charitable contribution deduction if the charitable organization disposes of the donated property within 3 years of the contribution. See *Recapture if no exempt use* in Pub. 526.



- Taxable part of disaster relief payments.  
See Pub. 525 to figure the taxable part, if any. If any of your disaster relief payment is taxable, attach a statement showing the total payment received and how you figured the taxable part.
- Taxable distributions from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).  
Distributions from these accounts may be taxable if (a) in the case of distributions from a QTP, they are more than the qualified higher education expenses of the designated beneficiary in 2025 or, in the case of distributions from an ESA, they are more than the qualified education expenses of the designated beneficiary in 2025; and (b) they were not included in a qualified rollover. Nontaxable distributions from these accounts don't have to be reported on Form 1040 or 1040-SR.

This includes rollovers and qualified higher education expenses refunded to a student from a QTP that were recontributed to a QTP with the same designated beneficiary generally within 60 days after the date of refund. See Pub. 970.



*You may have to pay an additional tax if you received a taxable distribution from a Coverdell ESA or a QTP. See the Instructions for Form 5329.*

**Nontaxable income.** Don't report any nontaxable income on line 8z. Examples of nontaxable income include the following.

- Child support.
- Life insurance proceeds received because of someone's death (with some exceptions; any taxable amounts will generally be reported to you on Form 1099-R).

- Gifts and bequests. You may have to report information on your gifts or bequests on Form 3520, Part IV, if you received:
  1. A gift or bequest from a foreign individual or foreign estate (including foreign persons related to that foreign individual or foreign estate) totaling more than \$100,000; or
  2. Amounts totaling more than \$20,116 from a foreign corporation or foreign partnership (including foreign persons related to such foreign corporations or foreign partnerships) that you treated as gifts.

See the Instructions for Form 3520.

# **Adjustments to Income**

## **Line 11**

### **Educator Expenses**

If you were an eligible educator in 2025, you can deduct on line 11 up to \$300 of qualified expenses you paid in 2025. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$600. However, neither spouse can deduct more than \$300 of their qualified expenses on line 11. An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.

Qualified expenses include ordinary and necessary expenses paid:

- For professional development courses you have taken related to the curriculum you teach or to the students you teach; or

- In connection with books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom.

An ordinary expense is one that is common and accepted in your educational field. A necessary expense is one that is helpful and appropriate for your profession as an educator. An expense doesn't have to be required to be considered necessary.



*Qualified expenses include amounts paid or incurred in 2025 for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.*

Qualified expenses don't include expenses for home schooling or for nonathletic supplies for courses in health or physical education.

You must reduce your qualified expenses by the following amounts.

- Excludable U.S. series EE and I savings bond interest from Form 8815.
- Nontaxable qualified tuition program earnings or distributions.
- Any nontaxable distribution of Coverdell education savings account earnings.
- Any reimbursements you received for these expenses that weren't reported to you in box 1 of your Form W-2.

For more details, use [Tax Topic 458](#) or see Pub. 529.

## **Line 12**

### **Certain Business Expenses of Reservists, Performing Artists, and Fee-Basis Government Officials**

Include the following deductions on line 12.

- Certain business expenses of National Guard and reserve members who traveled more than 100 miles from home to

perform services as a National Guard or reserve member.

- Performing-arts-related expenses as a qualified performing artist.
- Business expenses of fee-basis state or local government officials.

For more details, see Form 2106.

## **Line 13**

### **Health Savings Account (HSA) Deduction**

You may be able to take this deduction if contributions (other than employer contributions, rollovers, and qualified HSA funding distributions from an IRA) were made to your HSA for 2025. See Form 8889.

## **Line 14**

### **Moving Expenses**

You can deduct moving expenses if you are a member of the Armed Forces on active duty and due to a military order you move because

of a permanent change of station. Use [Tax Topic 455](#) or see Form 3903.

If you are claiming only storage fees during your absence from the United States, check the box on line 14. For more information, see the Instructions for Form 3903.

## **Line 15**

### **Deductible Part of Self-Employment Tax**

If you were self-employed and owe self-employment tax, fill in Schedule SE to figure the amount of your deduction. The deductible part of your self-employment tax is on line 13 of Schedule SE.

## **Line 16**

### **Self-Employed SEP, SIMPLE, and Qualified Plans**

If you were self-employed or a partner, you may be able to take this deduction. See Pub. 560 or, if you were a minister, Pub. 517.



Self-Employed Health Insurance Deduction Worksheet—Schedule 1, Line 17

<b>Before you begin:</b> ✓ Be sure you have read the <b>Exceptions</b> in the instructions for this line to see if you can use this worksheet instead of Form 7206 to figure your deduction.	
1. Enter the total amount paid in 2025 for health insurance coverage established under your business (or the S corporation in which you were a more-than-2% shareholder) for 2025 for you, your spouse, and your dependents. Your insurance can also cover your child who was under age 27 at the end of 2025, even if the child wasn't your dependent. But don't include amounts for any month you were eligible to participate in an employer-sponsored health plan or amounts paid from retirement plan distributions that were nontaxable because you are a retired public safety officer .....	1. <div></div>
2. Enter your net profit* and any other earned income** from the business under which the insurance plan is established, minus any deductions on Schedule 1, lines 15 and 16. Don't include Conservation Reserve Program payments exempt from self-employment tax .....	2. <div></div>
3. <b>Self-employed health insurance deduction.</b> Enter the <b>smaller</b> of line 1 or line 2 here and on Schedule 1, line 17. <b>Don't</b> include this amount in figuring any medical expense deduction on Schedule A .....	3. <div></div>
<i>*If you used either optional method to figure your net earnings from self-employment, don't enter your net profit. Instead, enter the amount from Schedule SE, line 4b.</i>	
<i>**<b>Earned income</b> includes net earnings and gains from the sale, transfer, or licensing of property you created. However, it doesn't include capital gain income. If you were a more-than-2% shareholder in the S corporation under which the insurance plan is established, earned income is your Medicare wages (box 5 of Form W-2) from that corporation.</i>	

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## Line 17

### Self-Employed Health Insurance Deduction

You may be able to deduct the amount you paid for health insurance (which includes medical, dental, and vision insurance and qualified long-term care insurance) for yourself, your spouse, and your dependents. The insurance can also cover your child who was under age 27 at the end of 2025, even if the child wasn't your dependent. A child includes your son, daughter, stepchild, adopted child, or foster child (defined in *Who Qualifies as Your Dependent* in the Instructions for Form 1040).

One of the following statements must be true.

- You were self-employed and had a net profit for the year reported on Schedule C or F.
- You were a partner with net earnings from self-employment.

- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2025 from an S corporation in which you were a more-than-2% shareholder. Health insurance premiums paid or reimbursed by the S corporation are shown as wages on Form W-2.

The insurance plan must be established under your business. Your personal services must have been a material income-producing factor in the business. If you are filing Schedule C or F, the policy can be either in your name or in the name of the business.

If you are a partner, the policy can be either in your name or in the name of the partnership. You can either pay the premiums yourself or your partnership can pay them and report them as guaranteed payments.

If the policy is in your name and you pay the premiums yourself, the partnership must reimburse you and report the premiums as guaranteed payments.

If you are a more-than-2% shareholder in an S corporation, the policy can be either in your name or in the name of the S corporation. You can either pay the premiums yourself or the S corporation can pay them and report them as wages. If the policy is in your name and you pay the premiums yourself, the S corporation must reimburse you. You can deduct the premiums only if the S corporation reports the premiums paid or reimbursed as wages in box 1 of your Form W-2 in 2025 and you also report the premium payments or reimbursements as wages on Form 1040 or 1040-SR, line 1a.

But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2025, amounts

paid for health insurance coverage for that month can't be used to figure the deduction. Also, if you were eligible for any month or part of a month to participate in any subsidized health plan maintained by the employer of either your dependent or your child who was under age 27 at the end of 2025, don't use amounts paid for coverage for that month to figure the deduction.



*A qualified small employer health reimbursement arrangement (QSEHRA) is considered to be a subsidized health plan maintained by an employer.*

**Example.** If you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you can't use amounts paid for health insurance coverage for September through December to figure your deduction.

Medicare premiums you voluntarily pay to obtain insurance in your name that is similar to qualifying private health insurance can be used to figure the deduction. Amounts paid for health insurance coverage from retirement plan distributions that were nontaxable because you are a retired public safety officer can't be used to figure the deduction.

For more details, see Instructions for Form 7206.

If you qualify to take the deduction, use the Self-Employed Health Insurance Deduction Worksheet to figure the amount you can deduct.

**Exceptions.** Use Form 7206 instead of the Self-Employed Health Insurance Deduction Worksheet in these instructions to figure your deduction if any of the following applies.

- You had more than one source of income subject to self-employment tax.
- You file Form 2555.

- You are using amounts paid for qualified long-term care insurance to figure the deduction.

Use Pub. 974 instead of the worksheet in these instructions if the insurance plan was considered to be established under your business and was obtained through the Marketplace, and advance payments of the premium tax credit were made or you are claiming the premium tax credit.

## **Line 18**

### **Penalty on Early Withdrawal of Savings**

The Form 1099-INT or Form 1099-OID you received will show the amount of any penalty you were charged.



## **Lines 19a, 19b, and 19c**

### **Alimony Paid**

#### **Line 19a**

If you made payments to or for your spouse or former spouse under a divorce or separation agreement entered into on or before December 31, 2018, you may be able to take this deduction. You can't take a deduction for alimony payments you made to or for your spouse if you entered into your divorce or separation agreement after December 31, 2018, or if you entered into the agreement on or before December 31, 2018, and the agreement was changed after December 31, 2018, to expressly provide that alimony received is not included in your former spouse's income. Use [Tax Topic 452](#) or see Pub. 504.

## Line 19c

On line 19c, enter the month and year of your original divorce or separation agreement that relates to this deduction for alimony paid.

## Line 20

### IRA Deduction



*If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2025, you must report them on Form 8606.*



*You are entitled to a deduction for your contribution to a traditional IRA regardless of age.*

If you made contributions to a traditional IRA for 2025, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes alimony and separate maintenance payments reported on Schedule 1, line 2a.

If you were a member of the U.S. Armed Forces, earned income includes any nontaxable combat pay you received. If you were self-employed, earned income is generally your net earnings from self-employment if your personal services were a material income-producing factor. For more details, see Pub. 590-A. A statement should be sent to you by June 1, 2026, that shows all contributions to your traditional IRA for 2025.

Use the IRA Deduction Worksheet to figure the amount, if any, of your IRA deduction. But read the following list before you fill in the worksheet.

1. You can't deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit (saver's credit). See the instructions for Schedule 3, line 4.
2. If you are filing a joint return and you or your spouse made contributions to

both a traditional IRA and a Roth IRA for 2025, don't use the IRA Deduction Worksheet in these instructions.

Instead, see Pub. 590-A to figure the amount, if any, of your IRA deduction.

3. You can't deduct elective deferrals to a 401(k) plan, 403(b) plan, section 457 plan, SIMPLE IRA plan, or the federal Thrift Savings Plan. Except for designated Roth contributions, these amounts aren't included as income in box 1 of your Form W-2.
4. If you made contributions to your IRA in 2025 that you deducted for 2024, don't include them in the worksheet.
5. If you received income from a nonqualified deferred compensation plan or nongovernmental section 457 plan that is included in box 1 of your Form W-2, or in box 1 of Form 1099-NEC, don't include that income on line 8 of the worksheet.

The income should be shown in (a) box 11 of your Form W-2, (b) box 12 of your Form W-2 with code Z, or (c) box 15 of Form 1099-MISC. If it isn't, contact your employer or the payer for the amount of the income.

6. You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 20.
7. Don't include rollover contributions in figuring your deduction. Instead, see the instructions for Form 1040 or 1040-SR, lines 4a and 4b.
8. Don't include trustees' fees that were billed separately and paid by you for your IRA.
9. Don't include any repayments of qualified reservist distributions. You can't deduct them.

For information on how to report these repayments, see *Qualified reservist repayments* in Pub. 590-A.

10. If the total of your IRA deduction on line 20 plus any nondeductible contributions to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2025, see Pub. 590-A for special rules.

### **Were You Covered by a Retirement Plan?**

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, SEP, SIMPLE, etc.) at work or through self-employment, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you can't deduct them. In any case, the income earned on your IRA contributions isn't taxed until it is paid to you.

The "Retirement plan" box in box 13 of your Form W-2 should be checked if you were covered by a plan at work even if you weren't

vested in the plan. You are also covered by a plan if you were self-employed and had a SEP, SIMPLE, or qualified retirement plan.

If you were covered by a retirement plan and you file Form 2555 or 8815, or you exclude employer-provided adoption benefits, see Pub. 590-A to figure the amount, if any, of your IRA deduction.

***Married persons filing separately.*** If you weren't covered by a retirement plan but your spouse was, you are considered covered by a plan unless you lived apart from your spouse for all of 2025.

If you are married filing separately and you lived apart from your spouse for all of 2025, check the box on line 20. If you don't check the box on line 20, you may get a math error notice from the IRS.



*You may be able to take the retirement savings contributions credit. See the Schedule 3, line 4, instructions.*

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IRA Deduction Worksheet—Schedule 1, Line 20

Before you begin:

✓

Be sure you have read the instructions for this line. You may not be able to use this worksheet.

✓

If the instructions for Schedule 1, line 24z, have you enter a write-in adjustment on line 24z, figure that write-in before completing this worksheet (see the instructions for Schedule 1, line 24z).

✓

If you are married filing separately and you lived apart from your spouse for all of 2025, check the box on line 20.

Your IRA

Spouse's IRA

1a.

Were you covered by a retirement plan (see *Were You Covered by a Retirement Plan*)?

1a.

Yes

No

b.

If married filing jointly, was your spouse covered by a retirement plan?

1b.

Yes

No

Next.

If you checked "No" on line 1a (and "No" on line 1b if married filing jointly), skip lines 2 through 6, enter the applicable amount below on line 7a (and line 7b, if applicable), and go to line 8.

• \$7,000 if under age 50 at the end of 2025.

• \$8,000 if age 50 or older at the end of 2025.

Otherwise, go to line 2.

2.

Enter the amount shown below that applies to you.

• Single, head of household, or married filing separately and you lived apart from your spouse for all of 2025, enter \$89,000.

• Qualifying surviving spouse, enter \$146,000.

• Married filing jointly, enter \$146,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$246,000 for the person who wasn't covered by a plan.

• Married filing separately and you lived with your spouse at any time in 2025, enter \$10,000.

2a.

2b.

3.

Enter the amount from Form 1040 or 1040-SR, line 9

3.

4.

Enter the total of the amounts from Schedule 1, lines 11 through 19a, plus 23 and 25

4.

5.

Subtract line 4 from line 3. If married filing jointly, enter the result in both columns

5a.

5b.

6.

Is the amount on line 5 less than the amount on line 2?

No.

STOP

None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.

Yes.

Subtract line 5 from line 2 in each column. Follow the instructions below that apply to you.

• If single, head of household, or married filing separately, and the result is \$10,000 or more, enter the applicable amount below on line 7 for that column and go to line 8.

i.

\$7,000 if under age 50 at the end of 2025.

ii.

\$8,000 if age 50 or older at the end of 2025.

If the result is less than \$10,000, go to line 7.

• If married filing jointly or qualifying surviving spouse, and the result is \$20,000 or more (\$10,000 or more in the column for the IRA of a person who wasn't covered by a retirement plan), enter the applicable amount below on line 7 for that column and go to line 8.

i.

\$7,000 if under age 50 at the end of 2025.

ii.

\$8,000 if age 50 or older at the end of 2025.


Otherwise, go to line 7.

6a.

6b.

405

IRA Deduction Worksheet—Continued

		Your IRA	Spouse's IRA
7.	Multiply lines 6a and 6b by the percentage below that applies to you. If the result isn't a multiple of \$10, increase it to the next multiple of \$10 (for example, increase \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200. <ul style="list-style-type: none"><li>• Single, head of household, or married filing separately, multiply by 70% (0.70) (or by 80% (0.80) in the column for the IRA of a person who is age 50 or older at the end of 2025).</li><li>• Married filing jointly or qualifying surviving spouse, multiply by 35% (0.35) (or by 40% (0.40) in the column for the IRA of a person who is age 50 or older at the end of 2025). But if you checked "No" on either line 1a or 1b, then in the column for the IRA of the person who wasn't covered by a retirement plan, multiply by 70% (0.70) (or by 80% (0.80) if age 50 or older at the end of 2025).</li></ul>		
		7a.	7b.
8.	Enter the total of your (and your spouse's if filing jointly): <ul style="list-style-type: none"><li>• Wages, salaries, tips, etc. Generally, this is the amount reported in box 1 of Form W-2. Exceptions are explained earlier in these instructions for line 20.</li><li>• Alimony and separate maintenance payments reported on Schedule 1, line 2a.</li><li>• Nontaxable combat pay. This amount should be reported in box 12 of Form W-2 with code Q or reported on Form 1040, line 1i.</li></ul>	8.	
9.	Enter the earned income you (and your spouse if filing jointly) received as a self-employed individual or a partner. Generally, this is your (and your spouse's if filing jointly) net earnings from self-employment if your personal services were a material income-producing factor, minus any deductions on Schedule 1, lines 15 and 16. If zero or less, enter -0-. For more details, see Pub. 590-A	9.	
10.	Add lines 8 and 9	10.	
	<div><div>If married filing jointly and line 10 is less than \$14,000 (\$15,000 if one spouse is age 50 or older at the end of 2025; \$16,000 if both spouses are age 50 or older at the end of 2025), <b>stop here</b> and use the worksheet in Pub. 590-A to figure your IRA deduction.</div></div>		
11.	Enter traditional IRA contributions made, or that will be made by the due date of your 2025 return not counting extensions (April 15, 2026, for most people), for 2025 to your IRA on line 11a and to your spouse's IRA on line 11b	11a.	11b.
12.	On line 12a, enter the <b>smallest</b> of line 7a, 10, or 11a. On line 12b, enter the <b>smallest</b> of line 7b, 10, or 11b. This is the most you can deduct. Add the amounts on lines 12a and 12b and enter the total on Schedule 1, line 20. Or, if you want, you can deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)	12a.	12b.

## **Line 21**

### **Student Loan Interest Deduction**

You can take this deduction only if all of the following apply.

- You paid interest in 2025 on a qualified student loan (defined later).
- Your filing status is any status except married filing separately.
- Your modified adjusted gross income (AGI) is less than \$100,000 if single, head of household, or qualifying surviving spouse; \$200,000 if married filing jointly. Use lines 2 through 4 of the worksheet in these instructions to figure your modified AGI.
- You, or your spouse if filing jointly, aren't claimed as a dependent on someone else's (such as your parent's) 2025 tax return.

- Don't include any amount paid from a distribution of earnings made from a qualified tuition program (QTP) after 2018 to the extent the earnings are treated as tax free because they were used to pay student loan interest.

Use the worksheet in these instructions to figure your student loan interest deduction.

**Exception.** Use Pub. 970 instead of the worksheet in these instructions to figure your student loan interest deduction if you file Form 2555 or 4563, or you exclude income from sources within Puerto Rico.

Student Loan Interest Deduction Worksheet—Schedule 1, Line 21

<b>Before you begin:</b> ✓ If the instructions for Schedule 1, line 24z, have you enter a write-in adjustment on line 24z, figure that write-in before completing this worksheet (see the instructions for Schedule 1, line 24z). ✓ Be sure you have read the <b>Exception</b> in the instructions for this line to see if you can use this worksheet instead of Pub. 970 to figure your deduction.	
1. Enter the total interest you paid in 2025 on qualified student loans (see the instructions for line 21). <b>Don't</b> enter more than \$2,500	1. <input type="text"/>
2. Enter the amount from Form 1040 or 1040-SR, line 9	2. <input type="text"/>
3. Enter the total of the amounts from Schedule 1, lines 11 through 20, and 23 and 25	3. <input type="text"/>
4. Subtract line 3 from line 2	4. <input type="text"/>
5. Enter the amount shown below for your filing status. • Single, head of household, or qualifying surviving spouse—\$85,000 • Married filing jointly—\$170,000	5. <input type="text"/>
6. Is the amount on line 4 more than the amount on line 5? <input type="checkbox"/> <b>No.</b> Skip lines 6 and 7, enter -0- on line 8, and go to line 9. <input type="checkbox"/> <b>Yes.</b> Subtract line 5 from line 4	6. <input type="text"/>
7. Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7. <input type="text"/>
8. Multiply line 1 by line 7	8. <input type="text"/>
9. <b>Student loan interest deduction.</b> Subtract line 8 from line 1. Enter the result here and on Schedule 1, line 21. <b>Don't</b> include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	9. <input type="text"/>

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**Qualified student loan.** A qualified student loan is any loan you took out to pay the qualified higher education expenses for any of the following individuals who were eligible students.

1. Yourself or your spouse.
2. Any person who was your dependent when the loan was taken out.
3. Any person you could have claimed as a dependent for the year the loan was taken out except that:
  - a. The person filed a joint return;
  - b. The person had gross income that was equal to or more than the exemption amount for that year or \$5,200 for 2025; or
  - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's return.

However, a loan isn't a qualified student loan if (a) any of the proceeds were used for other purposes, or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. For details, see Pub. 970.

### **Qualified higher education expenses.**

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. For details, see Pub. 970.

### **Line 22**

Line 22 has been reserved for future use.



## **Line 23**

### **Archer MSA Deduction**

See Form 8853.

## **Lines 24a Through 24z**

### **Line 24a**

**Jury duty pay.** Enter your jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury.

### **Line 24b**

Enter the deductible expenses related to income reported on line 8l from the rental of personal property you engaged in for profit but were not in the business of renting such property.

### **Line 24c**

Enter the nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m.

**Line 24d**

Enter reforestation amortization and expenses (see the Instructions for Form 4562).

**Line 24e**

Enter repayment of supplemental unemployment benefits under the Trade Act of 1974 (see Pub. 525).

**Line 24f**

Enter contributions to section 501(c)(18) (D) pension plans (see Pub. 525).

**Line 24g**

Enter contributions by certain chaplains to section 403(b) plans (see Pub. 517).

**Line 24h**

Enter attorney fees and court costs for actions involving certain unlawful discrimination claims, but only to the extent of gross income from such actions (see Pub. 525).

### **Line 24i**

Enter attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations, up to the amount of the award includible in your gross income.

### **Line 24j**

Enter the housing deduction from Form 2555.

### **Line 24k**

Enter excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041), box 11, code A. See the Instructions for Schedule K-1 (Form 1041).

### **Line 24z**

Leave line 24z blank.

# Instructions for Schedule 1-A

## Additional Deductions

### General Instructions

Use Schedule 1-A to report additional deductions that can't be entered directly on Form 1040, 1040-SR, or 1040-NR. You can claim these deductions whether you claim the standard deduction or itemize deductions on Schedule A or Schedule A (Form 1040-NR).

These additional deductions are deductions for qualified tips, qualified overtime compensation, no tax on car loan interest, and the enhanced deduction for seniors. The amount on line 38 of Schedule 1-A is entered on Form 1040 or 1040-SR, line 13b, and on Form 1040-NR, line 13c.



*If you are filing a tax return on Form 1041 for an estate or trust and intend to claim the deduction for car loan interest, see the "No Tax on Car Loan*

*Interest” worksheet in the Instructions for Form 1041.*

## **Part I Modified Adjusted Gross Income (MAGI) Amount**

Use Part I of Schedule 1-A to figure your MAGI. If you don't have income from Puerto Rico that you excluded from your income, or you aren't filing Form 2555 or 4563, then enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b, on Schedule 1-A, line 3. If you do have excluded income from Puerto Rico, or you are filing Form 2555 or 4563, complete lines 2a through 2e in Part I of Schedule 1-A to figure your MAGI.

## **Part II**

### **No Tax on Tips**

In general, tips received as an employee or from self-employment must be included in your gross income and are subject to income tax and social security and Medicare tax.

If you received cash and charge tips of \$20 or more in a calendar month and didn't report all of those tips to your employer, you must file Form 4137. You must also file Form 4137 if your Form(s) W-2, box 8, shows allocated tips that you must report as income.

If you have net earnings from self-employment, use Schedule SE to figure the tax due on net earnings from self-employment.

You may be able to claim a deduction for qualified tips paid to you in 2025 that are included on Form W-2, Form 1099-NEC, Form 1099-MISC, Form 1099-K, or reported directly by you on Form 4137.

You can claim this deduction whether you claim the standard deduction or itemize deductions on Schedule A or Schedule A (Form 1040-NR).



*If you are married, you must file a joint return with your spouse to claim this deduction.*



*For tax year 2025, Form W-2, Form 1099-NEC, Form 1099-MISC, and Form 1099-K were not updated to separately identify tips that may qualify for this deduction. See Determining the amount of qualified tips received by employees and Determining the amount of qualified tips received by non-employees, later. Also, see the instructions for lines 4a and 5 for more information about how to identify the qualified tips included in the amounts reported on these forms.*

Fill out Schedule 1-A, Part II, only if:

- You (and/or your spouse if filing a joint return) received qualified tips in 2025.
- You have a valid social security number (SSN). If you are married filing a joint

return, the spouse who received the qualified tips must have a valid SSN.

**Maximum amount of deduction.** You can't deduct more than \$25,000 of qualified tips, regardless of your filing status.

If you are self-employed, your tips from your trade or business are taken into account in figuring the deduction only to the extent you had net income. Your net income is the gross income from the trade or business in which the qualified tips were received less the amount of the total deductions (other than the deduction for qualified tips) allocable to that trade or business. See Net income limitation, later.



*If you are married and filing a joint return, and both you and your spouse have qualified tip income, the \$25,000 maximum amount of deduction limit applies to your combined qualified tip income. It is not a per spouse limit.*



The deduction amount (after applying the \$25,000 deduction limit) is reduced if your MAGI is more than the amount shown next for your filing status.

- Married filing jointly—\$300,000.
- Single, Head of household, or Qualifying surviving spouse—\$150,000.

Your MAGI is the amount on line 3 in Part I of Schedule 1-A.

## **Qualified Tips**

Qualified tips are tips that you received from customers or, as an employee, through a tip-sharing arrangement in an occupation that customarily and regularly received tips on or before December 31, 2024. See *Occupations that customarily and regularly received tips on or before December 31, 2024*, later.

Qualified tips are tips that are:

- Cash tips,
- Paid voluntarily,

- Not the subject of negotiation, and
- Determined by the customer/payor.

**Cash tips.** 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, including by cash, check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount (for example, casino chips), and any other form of electronic settlement or mobile payment app that is denominated in cash. Tips are the excess amount paid by a customer for services over the amount agreed to or otherwise reasonably expected to have been paid for the services in an arm's-length transaction.

Cash tips don't include items paid in any medium other than cash.

For example, cash tips don't include:

- Event tickets,
- Meals,
- Services, or
- Other assets that aren't exchangeable for a fixed amount of cash.

**TRDA and GITCA programs.** Tips reported pursuant to 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 Compliance Agreement (GITCA) program are considered qualified tips as long as the participating employee is otherwise eligible for the deduction for qualified tips and reports tips using the tip rates established under their agreement. An employee participating in a TRDA or GITCA program may report any additional qualified tips on Form 4137.

**Paid voluntarily, not subject to negotiation, and determined by the customer/payor.** Amounts are qualified tips only if they are paid voluntarily and without any consequence in the event of nonpayment. Qualified tips do not include service charges, automatic gratuities, or any other mandatory amounts automatically added to a customer's bill by the vendor or the establishment, unless the customer is expressly provided an option to disregard or modify such charges, gratuities, and amounts without consequence.

**Example 1.** You work on the wait staff at a restaurant. You serve a table with a group of six people. The restaurant has an automatic 18% charge added to a bill of any party of six or more people. The bill includes the 18% automatic gratuity on the "tip line," and the total bill includes this amount. Even though the restaurant distributed the amount to you and bussers, because the customer did not determine the amount of the additional

charge and was not given an express option to ignore or change the amount, the 18% charge is not a qualified tip and may not be deducted.

**Example 2.** You work on the wait staff at a restaurant. When you give customers the bill, you present the customer an electronic handheld point-of-sale (POS) device. Besides the charges for the meal and sales tax, the POS device also prompts the customer to leave a tip, giving the option of 15%, 18%, 20%, other, and no tip. The customer selects 18% and pays the total with a credit card. Because the customer had the right to determine the tip amount, including the option to leave no tip, the 18% is a qualified tip.

**Amounts received that are not qualified tips.** The following are examples of amounts that are not qualified tips.

- If your employer is in a specified service trade or business (SSTB), tips received as

an employee of that employer are not qualified tips. If you are self-employed in an SSTB, tips received in the course of that trade or business are not qualified tips. If you received tips in the course of another trade or business that is not an SSTB, those tips may be qualified tips if they meet the other requirements. For more information on SSTBs, see the instructions for Form 8995-A.



*Until the issuance of final regulations determining whether a trade or business is an SSTB for purposes of this deduction, and for taxable years beginning before the date the final regulations are published, the IRS will treat employees and self-employed individuals as having received tips in the course of a trade or business that is not an SSTB if the employee is in an occupation that customarily and regularly received tips on or before December 31, 2024.*

*For more information on the transition relief, see [Notice 2025-69](#).*

- Tips received while performing a service that is a felony or misdemeanor under applicable law are not qualified tips. However, tips you received for a service that is legal but were received while working for an establishment that violates applicable law in other respects may be qualified tips.
- Amounts received for prostitution and pornographic activity are not qualified tips.

**Example 1.** You are an employee who works as a bartender but don't have a license that is required by the state to serve alcohol. State law provides that serving alcohol without a license is a misdemeanor. You received \$10,000 in tips during 2025 while serving alcohol at the bar. "Bartender" is on the list of occupations that customarily and regularly received tips.

However, because you served alcohol in violation of applicable state law, the \$10,000 in tips that you received in 2025 are not qualified tips and may not be deducted.

**Example 2.** You are an employee who works as a server at a restaurant that has a bar that serves alcohol. The restaurant doesn't have a liquor license required by state law. You received \$10,000 in tips in 2025 waiting tables at the restaurant. "Wait Staff" is on the list of occupations that customarily and regularly received tips. Even though the restaurant is in violation of applicable state law by not having a liquor license, because working as a server is legal under state law, the \$10,000 in tips you received in 2025 are qualified tips and qualify for the deduction.

**Occupations that customarily and regularly received tips on or before December 31, 2024.** In order for a tip to be a qualified tip, it must have been paid to you while you were working in an occupation that



customarily and regularly received tips on or before December 31, 2024. The list of occupations that customarily and regularly received tips on or before December 31, 2024, provides for each occupation 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 related to the occupation.

The full list of occupations, including the TTOC, occupation title, occupation description, illustrative examples, and SOC code(s) can be found at [IRS.gov/TippedOccupations](https://www.irs.gov/tippedoccupations).

Examples of occupations that customarily and regularly received tips on or before December 31, 2024, as well as the occupation title and TTOC, are listed next.

- **Beverage and food service:** bartenders (101); wait staff (102); chefs and cooks (105); dishwashers (108); host staff, restaurant, lounge, and coffee shop (109); and bakers (110).
- **Entertainment and events:** gambling dealers (201), dancers (205), musicians and singers (206), and digital content creators (209).
- **Hospitality and guest services:** baggage porters and bellhops (301), concierges (302), and maids and housekeeping cleaners (304).
- **Home services:** home maintenance and repair workers (401), home landscaping workers and groundskeeping workers (402), home cleaning service workers (407), locksmiths (408), and roadside assistance workers (409).

- **Personal services:** personal care and service workers (501), private event planners (502), private event and portrait photographers (503), pet caretakers (506), tutors (507), and nannies and babysitters (508).
- **Personal appearance and wellness:** massage therapists (602); barbers, hairdressers, hairstylists, and cosmetologists (603); exercise trainers and group fitness instructors (608); and tattoo artists and piercers (609).
- **Recreation and instruction:** golf caddies (701), tour guides (704), and sports and recreation instructors (706).
- **Transportation and delivery:** parking and valet attendants (801), taxi and rideshare drivers and chauffeurs (802), goods delivery people (804), and home movers (809).

## **Determining the amount of qualified tips received by an employee for 2025.**

Because no changes have been made to Form W-2 for 2025, a separate accounting for cash tips you report to your employer may not appear on your Form W-2 for 2025. For 2026, Form W-2 will be updated to provide for a separate accounting for cash tips you report to your employer.

If you received tips as an employee in more than one occupation for the same employer, only those tips that were received in an occupation on the list of occupations that customarily and regularly received tips on or before December 31, 2024, are considered qualified tips. Do not include tips received in occupations that are not included on this list in line 4a, 4b, or 4c.