

A tax periodical for the private club community

May 2025

No Tax on Tips Act Passes Senate

In a rare showing of bipartisan support, the “No Tax on Tips Act” was passed in the Senate on May 20, 2025. It now moves to the House of Representatives and must then be signed into law by President Trump before it goes into effect. A similar provision is included in “The One, Big Beautiful Bill” which is presently working its way through the House of Representatives. While we do not know when a provision of the Internal Revenue Code (“IRC”) allowing for no tax on tips will go into effect, it appears reasonable that it will eventually be passed into law. It is advisable that private clubs start planning for this upcoming change now.

The proposed legislation would amend the IRC by permitting those workers in “occupations traditionally receiving tips” to take a tax deduction on tips reported to an employer up to \$25,000, retroactively effective as of January 1, 2025. The deduction would not be available for any eligible individual who earned in excess of \$160,000 per year. Presently, it appears that certain workers like cooks, dishwashers, or other behind the scenes staff who do not traditionally receive tips would not be eligible for the deduction. Additional guidance will be required defining eligibility.

It is important to note that this would be a federal income tax deduction and thus it is possible state income taxes will still apply. There is also no corresponding payroll tax break. Individuals would still be subject to Social Security and Medicare taxes on tips.

How Might this Affect the Private Club Industry?

As stated above, it appears highly likely that a provision of the IRC, whether from the “No Tax on Tips Act” or “The One, Big Beautiful Bill”, will soon allow for a deduction for reported tips. Private clubs should start considering their options going forward.

As most private clubs do not presently allow tipping (*mandatory service charges would not qualify as tips*), should those clubs consider a tipping model in the future? Or should private clubs stay the course? It would be prudent for private clubs to begin evaluating options and forecasting the best scenarios not only for the private club itself but also for eligible employees.

Other Potential Upcoming Tax Changes Affecting Private Clubs

The House Ways and Means Committee released proposed tax legislation (“The One, Big Beautiful Bill”) on May 12, 2025, which included potential changes having considerable impact on the tax-exempt community. While most of the provisions in this proposed legislation would not have a material impact on private clubs, we have highlighted a few items of interest.

- Immediate suspension of any unpaid employee retention tax credit claims unless the claim was filed on or before January 31, 2024 and expansion of the statute of limitations by which the Internal Revenue Service may issue an assessment for an improperly filed claim.
- Increase in Form 1099-NEC reporting requirements from \$600 to \$2,000 beginning 2026.
- Elimination (temporarily) of the tax on overtime pay through December 31, 2028.
- Return of 100% bonus depreciation after January 19, 2025 and before January 1, 2030.

There are many steps left in the legislative process before the proposed bill may become law and significant changes may therefore occur. COMD will continue to monitor the progress of both the “No Tax on Tips Act” and “The One, Big Beautiful Bill” and provide updates as they arrive.

This bulletin is prepared by our tax department and is provided to our clients for informational purposes only and may not be used or cited as precedent. If you have any questions on the information contained in this bulletin, please do not hesitate to give us a call.

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