



The one big beautiful bill act (OBBBA) payroll cheat sheet

Your guide to new deductions, reporting
changes, and permanent tax relief



The working families tax cut: What's new for 2026 filing?

The One Big Beautiful Bill Act (OBBBA) introduced **major, temporary tax deductions for the 2025-2028 tax years**. The most urgent action item is helping employees file their 2025 returns correctly before the new W-2 forms are finalized for 2026.



Key detail: Deductions are above-the-line

The deductions for qualified tips and overtime are above-the-line, meaning the employee can claim them on their personal return (Form 1040) even if they take the standard deduction.



Let's review 3 changes that could change how you file taxes this year.

1. No tax on tips provision

(Temporary: 2025-2028)

This provision allows workers to deduct a portion of their qualified tips on their personal tax return.

Deduction limit	Up to \$25,000 in qualified tips.
Eligibility	Tips must be voluntary and received in an IRS-listed tipped occupation (TTOC).
Income phase-out	Deduction phases out for modified AGI over \$150,000 (single) / \$300,000 (joint) (reduced by \$100 for every \$1,000 over the threshold).
Taxes affected	Applies only to federal income tax. Tips remain subject to FICA tax.

Employer action for 2026 filing (2025 W-2s)

✓ Penalty relief

The IRS waived penalties for not separately reporting tips on 2025 W-2s.

✓ Support requirement

Provide employees with their final 2025 pay stub or a detailed payroll report showing the year-to-date (YTD) total of reported tips to substantiate their deduction.

2. No tax on overtime provision

(Temporary: 2025–2028)

This provision allows workers to deduct the premium portion of their federally required overtime pay.

Deduction limit	Up to \$12,500 (single) / \$25,000 (joint) in qualified overtime pay.
Eligibility	Covers only the “half” portion of the time-and-a-half pay required by the Fair Labor Standards Act (FLSA).
Calculation	If you pay 1.5X, the qualified portion is one third of the total overtime pay.
Income phase-out	Follows the same phase-out rules as tips: starts at \$150,000 (single) / \$300,000 (joint) MAGI.



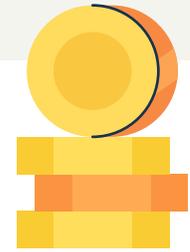
Employer action for 2026 filing (2025 W-2s)

✔ Support requirement

Provide employees with payroll records (pay stubs/reports) showing YTD overtime. Employees must use this data to calculate the deductible premium portion themselves.

✔ Compliance shift

Be prepared for the 2026 W-2 form update which will include dedicated boxes for separate reporting of qualified tips and overtime.



Systems readiness: Preparing your payroll for 2026

The OBBBA requires new information reporting for tips, overtime, and occupational codes, which takes effect for the 2026 tax year.

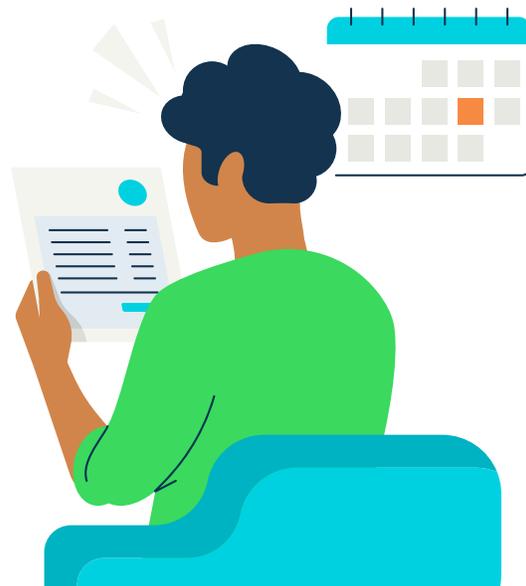
Checklist for 2026 payroll updates

Area	2026 system requirements	Status
Form W-2	Must have new boxes to separately report qualified tips and qualified overtime compensation	Update in progress
Tips	Ability to assign a Treasury Tipped Occupation Code (TTOC) to eligible employees	System setup required
Contractors	Ability to separately report qualified tips and overtime on Forms 1099-NEC/1099-MISC	System setup required
Filing thresholds	Must file Form 1099-NEC/ MISC for non-employee payments of \$2,000 or more (up from \$600)	New threshold in effect

3. Trump accounts: A new employee benefit

(Starting July 4, 2026)

The OBBBA created new tax-advantaged accounts for children, offering a unique employer contribution benefit.



Who is eligible?	U.S. children born between January 1, 2025, and December 31, 2028
When to contribute	Contributions begin July 4, 2026 (The IRS will provide an initial \$1,000 deposit.)
Tax-free contribution	Employers can contribute up to \$2,500 annually per employee (not per child) to the employee's child's account.
Tax status of benefit	The employer contribution is excluded from the employee's gross income. (It is not taxable income to the employee).
Employer next steps	Coordinate with plan administrators to offer this new tax-advantaged benefit program starting mid-2026.

OBBBA's permanent impact: Extensions and modifications

The OBBBA ensures long-term tax stability by making many temporary 2017 tax cuts permanent.

Permanently extended tax provisions (effective 2026 and beyond)

Provision	Key Change
Standard deduction	Permanently extended (maintaining the higher, inflation-adjusted deduction levels)
Individual tax rates	Permanently extended (e.g., the top 37% rate remains in place)
Section 199A QBI deduction	Permanently extended (preserving the 20% deduction for pass-through entities)
SALT deduction cap	The cap on the state and local tax deduction has been increased to \$40,000 through 2029.
Form 1099-K threshold	The high threshold of \$20,000 and 200 transactions is restored for third-party payment organizations (TPSOs).

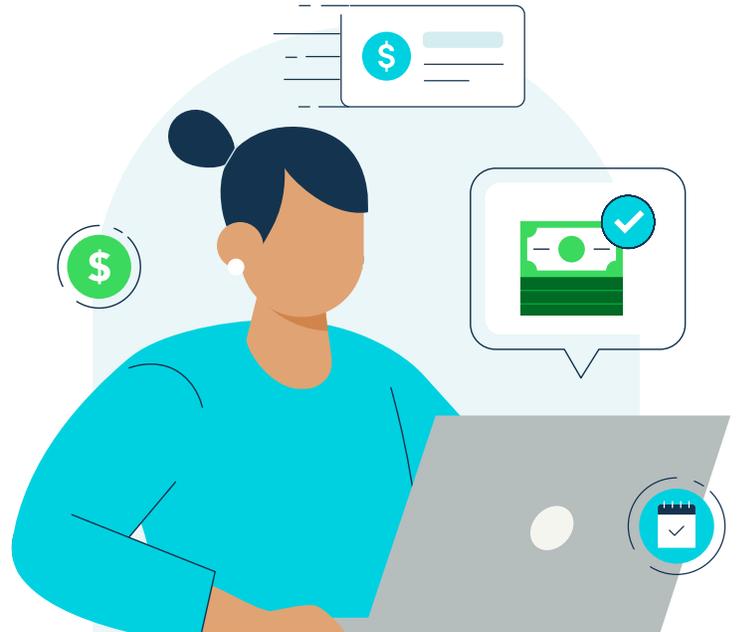
Your OBBBA action plan for 2026

Use this checklist to ensure compliance and support your team as the new regulations take full effect.

- ✓ **Audit (2025 filing)**
 Distribute YTD payroll reports to all employees so they can claim their 2025 deductions (for tips and overtime).
- ✓ **Update (2026 payroll)**
 Work with your payroll provider to implement the new W-2 fields, TTOC reporting, and the \$2,000 threshold for 1099-NEC/MISC.
- ✓ **Plan (benefits)**
 Determine if you will offer Trump account contributions to employees starting July 4, 2026, and prepare internal systems for tracking this new tax-excluded benefit.

Stay compliant and confident in 2026

The complexity of the OBBBA demands that payroll systems be updated immediately for 2026. Accurate tracking is the only way to ensure both compliance and that your employees receive their deserved tax deductions.



QuickBooks Payroll helps you manage the shift by:

- ✓ Providing the required detailed reports for 2025 deductions (filing in 2026)
- ✓ Automatically implementing the new TLOC and W-2/1099 reporting fields for 2026 payroll
- ✓ Simplifying the offering and tracking of Trump account contributions starting mid-2026

See how QuickBooks helps you accurately track and report new tax deductions.

[Explore QuickBooks payroll solutions](#)



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