Tides Bookkeeping

RESTAURANTS & BARS
2026 W-2 SEASON

Tip & Payroll Checklist: Before Feb 1, 2027

2026 W-2s report tips and overtime in new places. Your payroll provider files the W-2 from whatever is set up in payroll, so check the setup before W-2s are produced.

What's new on 2026 W-2s (IRS 2026 Form W-2 instructions): Box 12 code **TP** for qualified tips, Box 12 code **TT** for qualified overtime compensation, and Box 14b for each tipped employee's **Treasury Tipped Occupation Code**. Penalty relief for this reporting covered tax year 2025 only.

- [ ] **Tips, auto-gratuities and service charges are on separate pay codes.**
  Tips the customer chose to leave are tips. A mandatory service charge or automatic gratuity is wages, not a tip, even when it's paid out to staff.

- [ ] **Your books show the same split.**
  Tips owed to staff sit in a tips payable liability, not in sales. Service charges are recorded as sales. Neither one is buried in a single "tips" line.

- [ ] **Every tipped employee has an occupation code in payroll.**
  Box 14b needs a Treasury Tipped Occupation Code (for example, server or bartender). If the field is blank, payroll has nothing to report. Check every tipped employee, including anyone who left during the year.

- [ ] **You know how the overtime premium is separated.**
  Box 12 TT reports the premium part of FLSA-required overtime, the "half" in time-and-a-half. Ask your payroll provider how it pulls that amount from your pay codes.

- [ ] **Your POS tip report ties to payroll for the year.**
  Card tips from the POS plus cash tips staff reported to you should match the tips run through payroll. Find any gap now, not after W-2s go out.

- [ ] **Tips payable clears to what's actually still owed.**
  At year-end, the tips payable balance in your books should equal tips earned but not yet paid out. A balance that keeps growing means tips are recorded but not cleared.

The dates

Monday, Feb 1, 2027	W-2s due to employees and to the Social Security Administration (January 31 falls on a Sunday).
Monday, Feb 1, 2027	1099-NEC due to contractors and the IRS. The threshold is $2,000 for payments made in 2026 (it was $600).
Before your provider's cutoff	Most payroll providers set their own January deadline for year-end corrections. Look it up now.

Want someone to check these in your actual payroll and books? Get a free, read-only books review: 30 minutes, with a one-page written summary. **tidesbookkeeping.com/free-books-review**

This checklist covers bookkeeping records and payroll setup. It is not tax advice. Questions about who qualifies for the tip or overtime deduction, or how either affects a tax return, belong with your CPA. Tides Bookkeeping does not prepare tax returns or file W-2s. Tides Bookkeeping · tidesbookkeeping.com · (864) 559-2686 · support@tidesbookkeeping.com