Jain Family Institute

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The (In)accessibility of OBBB's New Tax Cuts

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Summary

- Most of OBBB is dedicated to extending tax cuts passed during President Trump's first term, preventing a tax increase rather than delivering new benefits. However, OBBB did deliver several salient new provisions, including tax deductions for tip and overtime income, car loan interest, and a larger standard deduction for seniors.
- Few people will qualify for these new tax deductions. Just five percent of workers receive overtime pay, three percent receive tip income, and two percent of households pay interest on a qualifying car loan.
- Even when people meet the demographic eligibility requirements, many fall below the income threshold required to benefit. For instance, more than half of seniors have an income too low to benefit from the enhanced senior standard deduction.
- The overall impact of these new provisions is extremely modest, especially for low- and moderate-income households: the bottom 60 percent of Americans will get an average tax break of just $100.

Proponents describe the "One Big Beautiful Bill" (OBBB) as the largest tax cut in US history. However, most of its provisions simply extend tax breaks from President Trump's first term. These extensions avert a tax hike, but do not change the tax rates people currently pay.

To offer tangible new tax relief branded as "working family tax cuts," OBBB added several new provisions to the tax code: deductions for tip and overtime income, car loan interest, and an enhanced standard deduction for seniors. These cuts will reach few working families—fewer than 20 percent of workers are in any of the new categories. Even demographically eligible individuals may earn too little to benefit. For example, a single parent with two children earning $30,000 per year, including $10,000 in tips, would not qualify for any tax break under the new tipped income deduction.

The narrow and exclusionary structure of OBBB's new tax deductions ensures a minimal impact on average tax bills. While attracting disproportionate attention, deductions aimed at middle and working class households are so minor that their fiscal cost is less than five percent of all tax cuts in the law. The lowest-income 60 percent of Americans will get an average tax break of just $100. Even considering all new tax breaks in OBBB (beyond the new deductions but excluding extensions of expiring provisions), the average benefit for the lowest-income 60 percent of Americans increases only slightly, to $140.

Limited Reach of OBBB's New Deductions

Although OBBB is marketed as providing "working family tax cuts," very few workers will benefit from these prominent new deductions.[2] Government survey data shows that five percent of workers receive overtime pay, and three percent receive tip income. While a third of households pay interest on a car loan, just two percent paid interest on a new, American-manufactured car purchased within the past year.

The narrowness of these tax deductions is compounded by minimum income requirements. For instance, 61 percent of seniors have an income too low to benefit from the enhanced senior standard deduction. The income minimums to benefit from the new deductions are explained in more detail in the appendix; the table below summarizes the reach of each provision.

Eligibility for New Tax Deductions Under OBBB

Provision	Breadth of Demographic Potentially Eligible	Percentage Ineligible Because Their Income is Too Low	Overall Percentage of Households Benefitting from Provision[3]
No Tax on Tips	2.7% of workers receive tip income—1.1% of the population overall.	Of workers who received some tipped income, 24% of them had an income too low to benefit from the deduction.	Overall, 2.8% of households have a tipped worker with an income eligible for the deduction.
No Tax on Overtime	5.3% of workers receive overtime pay—2.8% of the population overall.	Of workers who received some overtime income, 8.8% of them had an income too low to benefit from the deduction.	Overall, 7.4% of households have a worker who received overtime with an income eligible for the deduction.

[2] Nicholas, Peter, Garrett Haake, and Olympia Sonnier, "Working Families Tax Cut? Republicans Sell 'Big, Beautiful Bill' with Medicaid Clawbacks," *NBC News*, July 15, 2025.https://www.nbcnews.com/politics/trump-administration/working-families-tax-cut-republicans-sell-big-beautiful-bill-medicaid-rcna217868

[3] These figures account for households with an individual who is demographically eligible, but do not get any tax benefit because their income is too high (above the phaseout point) or too low (below the point of income tax liability).

Provision	Breadth of Demographic Potentially Eligible	Percentage Ineligible Because Their Income is Too Low	Overall Percentage of Households Benefitting from Provision[3]
No Tax on Car Loan Interest	32% of households pay some interest on a car loan. However, just 2% of households paid interest on a new, American manufactured car in the last year.	Of households with a qualifying car loan, 11% had an income too low to benefit from the deduction.	Overall, 1.9% of households have a qualifying car loan with an income eligible for the deduction.[4]
Enhanced Senior Standard Deduction	18% of Americans are seniors.	61% of seniors had an income too low to benefit from the deduction.[5]	Overall, 9.3% of households will benefit from the enhanced senior standard deduction.

Author's calculations using various data sources, see appendix for details

Deduction Structure Offers Larger Benefits for Higher-Income Workers

Counterintuitively, higher-income workers will benefit most from these new deductions. This advantage doesn't stem from higher earners being more likely to receive overtime or tipped income. Rather, among people who do have income from these sources, higher-income workers earn significantly more than lower-income workers. And because they are in higher tax brackets, the deductions are also more valuable.

[4] Only new, American-manufactured cars purchased starting in 2025 are eligible for the deduction while it is in place. The figures in the table approximate the number of people who bought a qualifying new car with a loan in the last year to approximate eligibility in 2025—the fraction of households who will buy an eligible new car over the four years that the deduction is in place should roughly double every year after 2025.

[5] Seniors tend to understate their income in surveys, which may slightly overstate the fraction of seniors with incomes too low to qualify for the deduction. See the appendix for details.

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The table on the next page shows the value of the overtime deduction for a home health aide with a base wage of $15 per hour. They would need to average over twelve hours of overtime every week of the year to have $5,000 worth of deductible overtime income. In contrast, a nurse working at $50 per hour would need to average less than four hours of overtime per week to earn the same amount of deductible overtime income.[6] Workers with higher base wages can accumulate a large amount of deductible overtime income from just a few extra hours of work. Statistically, higher earners average more overtime pay despite being less likely to work overtime, because when they do, their overtime wages are substantially higher.[7]

Structuring these provisions as deductions compounds the advantages for higher-income households. If the home health aide being paid $15 per hour managed to work twelve hours of overtime every week, their $5,000 of deductible overtime income would yield a tax break of $600. The nurse, paid $50 per hour, who averaged less than four hours of overtime each week to get $5,000 of deductible overtime income would get a tax reduction of $1,100. Because of their higher base wages, high-income workers fall into higher tax brackets—making deductions more valuable to them.[8] While all the new deductions have income phase-outs and dollar limits for very high-income earners, these do not alter the overall regressive effect, as detailed in the next section.

[6] Someone paid $15 per hour would earn $22.50 per hour for overtime, of which only the extra $7.50 per hour is deductible. To get $5,000 worth of deductible income, they would need to work 666 overtime hours, or 12.8 extra hours per week. Someone paid $50 per hour would earn $25 per hour of deductible overtime income, necessitating 200 hours of overtime, or 3.84 overtime hours per week.
[7] A similar pattern plays out for income from tips—picture a lower-income Uber driver vs. a higher-income waiter at an expensive restaurant. For qualifying car interest, the pattern is the opposite—higher-income households are more likely to have a new car loan.
[8] These examples assume a single taxpayer with no children. A married taxpayer with three children would get no tax reduction in the $15 per hour overtime scenario and a $600 tax reduction in the $50 per hour scenario (assuming only one person in the couple works).

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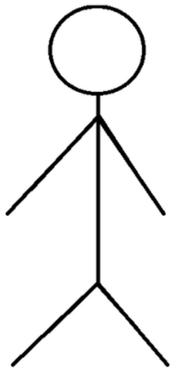
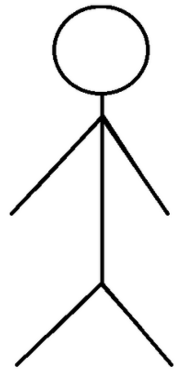
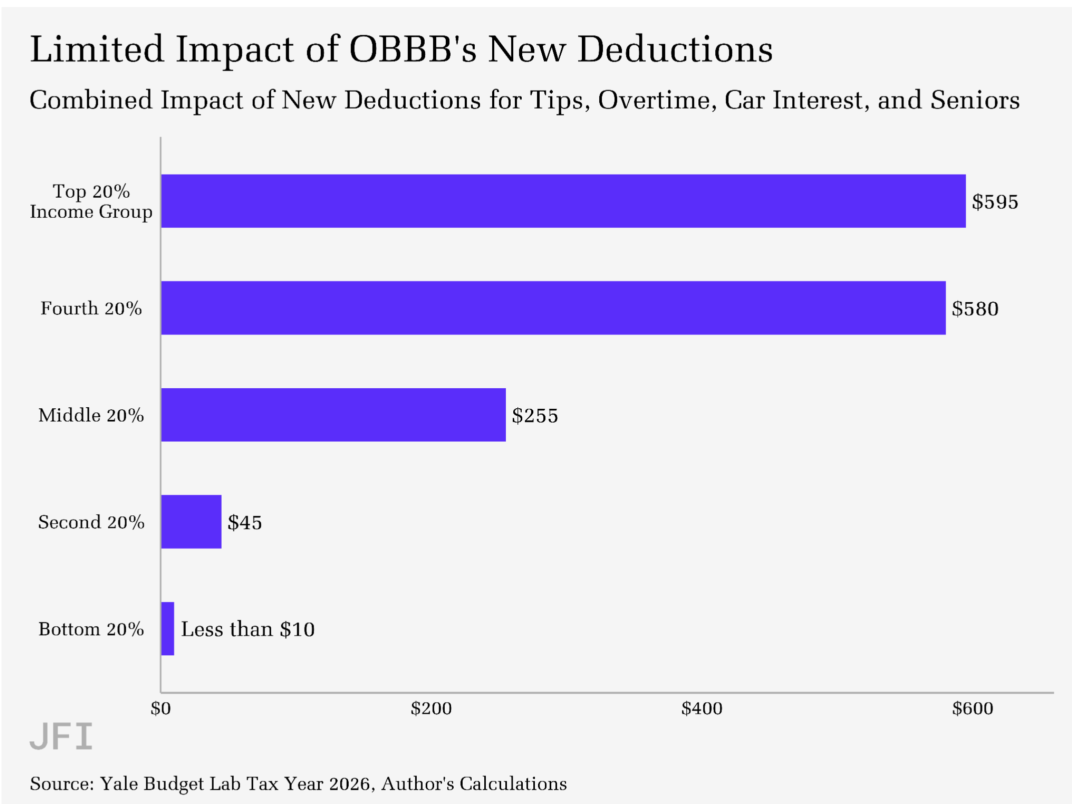
Deductions Provide Larger Benefits to High-Income Workers

 **Home Health Aide** $15 per hour base wage working 40 hours per week, averaging about 12 hours of overtime each week	 **Nurse** $50 per hour base wage working 40 hours per week, averaging about four hours of overtime each week
$22.50 per hour overtime wage, $7.50 of which is deductible	$75 per hour overtime wage, $25 of which is deductible
$5,000 total deductible overtime income for the year from working 667 hours of overtime (almost 13 hours of overtime per week)	$5,000 total deductible overtime income for the year for working 200 hours of overtime (less than four hours of overtime per week)
$46,200 total earnings	$119,000 total earnings
Tax break from overtime deduction: $600 for 667 hours of overtime	Tax break from overtime deduction: $1,100 for 200 hours of overtime
Summary: Worked 667 overtime hours for a $600 tax break, effectively boosting take-home overtime pay by $0.90 per hour, effectively increasing their overtime pay rate 4%	Summary: Worked 200 overtime hours for a $1,100 tax break, effectively boosting take-home overtime pay by $5.50 per hour, effectively increasing their overtime pay rate 7%

Distributional Impact of OBBB’s New Provisions

The impact of new deductions on average tax bills is small, especially for lower-income households. The graph below shows the average tax change by income group using data from the Yale Budget Lab.[9] Households in the lowest 40 percent of the income distribution will see little to no benefit from these provisions. Middle-income households will average a $255 tax cut. The top 40 percent of earners will get about a $600 tax break from these deductions. This is substantially more than lower-income groups receive, yet modest compared to their total tax cuts under OBBB.

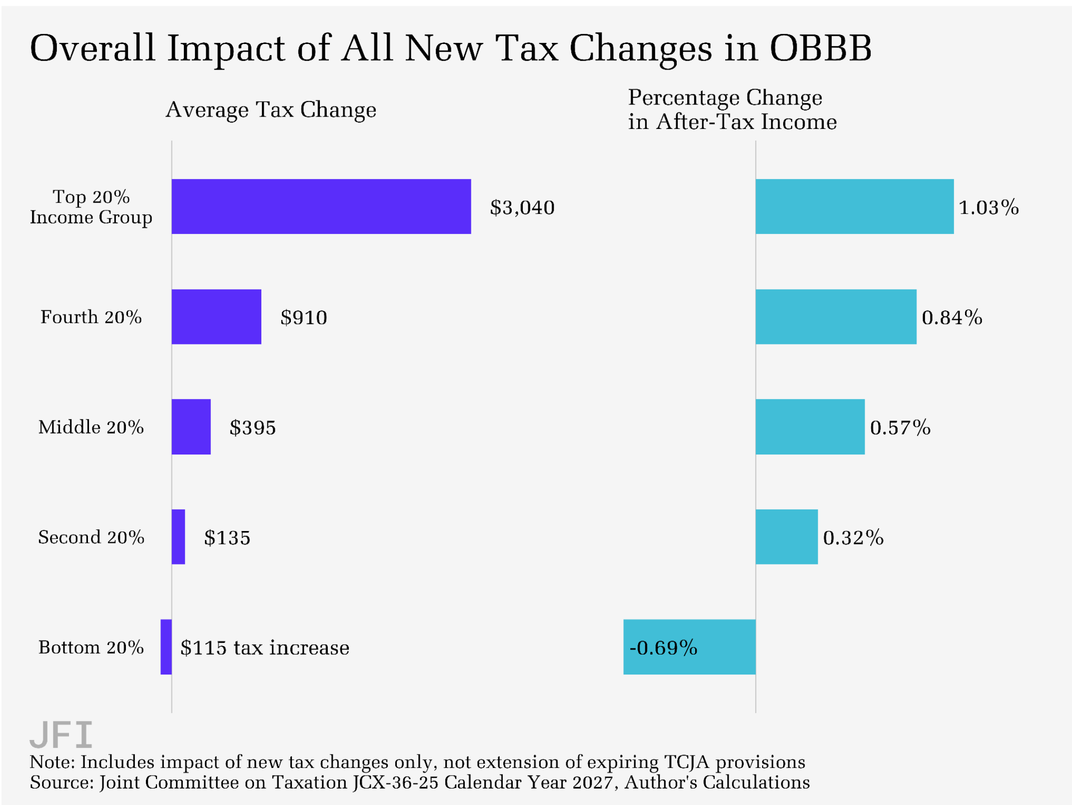


While the aforementioned provisions are some of the most prominent new tax breaks in OBBB, they are not the only new tax cuts. Those who do not qualify for the new deductions likely benefit from other broader

[9] The Budget Lab, “Standalone Distributional Effects of Major Tax Provisions in the Reconciliation Bill: Comparing House and Senate Versions,” *Yale University*, June 20, 2025. Updated June 23, 2025. https://budgetlab.yale.edu/research/standalone-distributional-effects-major-tax-provisions-reconciliation-bill-comparing-house-and

provisions, including an increase in the standard deduction, a slowing of the inflation adjustment for the lowest two tax brackets, and a $200 increase to the value of the Child Tax Credit. OBBB also included new business tax breaks, which Republicans argue boost workers' wages.

Most distributional analysis of OBBB combines the new provisions with the extension of the Tax Cuts and Jobs Act (TCJA), which makes it difficult to assess the incremental impact of OBBB's new tax breaks.[10] The graph below isolates the impact of OBBB's new provisions using data from the Joint Committee of Taxation.[11]



Considering all the new tax cuts in OBBB does little to alter conclusions drawn from analyzing just the new deductions alone. The broader tax cuts offer minimal tax changes for most households and also exclude low-income families from any benefits. For instance, the boost to the

[10] E.g. Tax Policy Center, "Distributional Effects of the Tax Provisions in the 2025 Budget Reconciliation Act," *Urban Institute and Brookings Institution*, July 3, 2025. https://taxpolicycenter.org/tax-model-analysis/distributional-effects-tax-provisions-2025-budget-reconciliation-act.

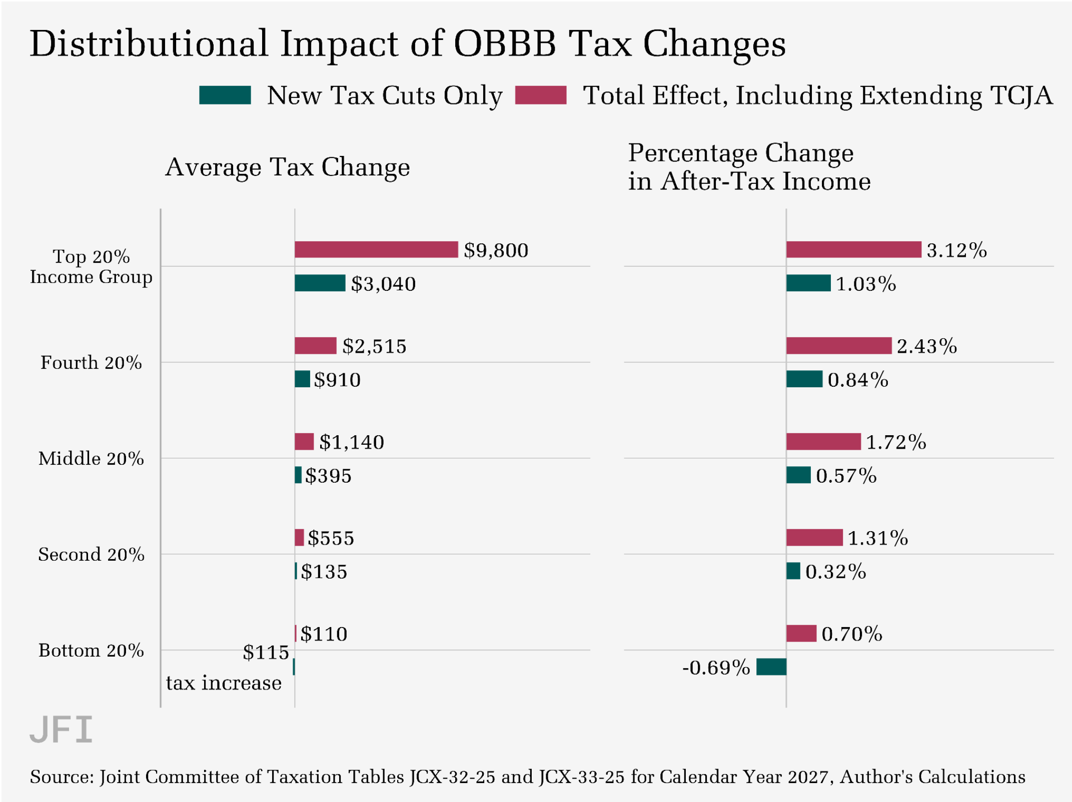
[11] The Joint Committee of Taxation (JCT) allocates some benefits of business tax breaks to workers. A handful of provisions are excluded; see notes to JCT-32-25. Top quintile is a weighted average of top income groups, which is an approximation for the percentage change in income.

standard deduction would give a $75 tax cut to a lower-income single worker making $25,000. The $200 increase to the Child Tax Credit falls far short of the $500 increase it would have seen if indexed to inflation since the TCJA was enacted. Additionally, it completely excludes lower-income working families.[12]

The most distinct changes are with the highest and lowest income groups. While the new deductions in OBBB have some income limits that cap the benefit for the top 20 percent, other provisions in OBBB ensure the largest new tax benefits accrue to the highest-income households. In contrast, while the lowest-income households do not benefit from new deductions, other provisions cutting Premium Tax Credits actively raise taxes for this group. Distributional analysis that included the safety net cuts would make the lowest income Americans even worse off. Middle-income earners (40th–60th percentile income group) see an overall tax cut of $395, equivalent to a boost of about half a percent in after-tax income. The lowest 60 percent of income earners will see an average benefit totaling $140—just $40 more than the analysis of the new deductions alone produces.[13]

The final graph compares the total impact of OBBB—including TCJA extensions—with the impact of only the new provisions introduced by OBBB.[14] Including the TCJA extensions, the full impact of OBBB yields significantly larger tax cuts for all income groups—especially for the wealthy. However, most of these large changes come from continuing status quo tax rates that would otherwise expire.

[12] Jack Landry, "Without Improvements to Refundability, Any Child Tax Credit Expansion Cannot Benefit Low-Income Working Families," *Jain Family Institute*, June 10, 2025.
https://jainfamilyinstitute.org/wp-content/uploads/2025/06/Without-Refundability-CTC-Expansion-Cannot-Benefit-Low-Income-Working-Families-6.10.25.pdf
[13] The methodology for this distributional impact of the new deductions alone (from the Yale Budget Lab) and all the new tax cuts in OBBB (from the Joint Committee on Taxation) differs slightly, so these comparisons will not be exact.
[14] The new tax changes are not entirely additive to the "total impact" graph. For instance, when calculating the impact of the new tax cuts, the larger SALT deduction in OBBB is counted as a tax cut. For calculating the total effect of OBBB, it is counted as a tax increase, since if the TCJA expired, there would be no limit to the SALT cap. See the underlying JCT tables for more details on the baseline calculations.



Smarter Alternatives to OBBB's Targeted Tax Cuts

The above analysis makes clear that OBBB's new tax breaks, relative to their goal of helping middle and working class households, are poorly designed. While the new provisions were always too narrowly targeted to a small subset of workers to provide significant support for the middle-class, their specific implementation as deductions ensures their regressive impact. Among workers who do demographically qualify, lower-income earners will receive little to no benefit, while a select handful of higher-income workers can expect a substantial tax break.

While narrowly targeted tax breaks will never provide broad-based support for middle and working class families, not all targeted tax breaks are ill-conceived. President Trump's unfulfilled tax pledges for a baby bonus and caregiver tax credit, for example, would have applied to a specific subset of Americans but would have had strong policy justifications with a similar monetary cost.[15]

[15] Nikki Schwab, "Trump Tells Men They Are 'So Lucky' Because He Wants a 'Baby Boom' from His 'Freedom Cities' Plan That Includes Bonuses for Parents Who Have

A "baby bonus" would provide material support to families when they need it most. Families typically see their income fall around the time of a birth, even as their expenses rise to meet the costs of a new child.[16] Instead of a baby bonus, OBBB included a new program that deposits $1,000 contributions into "Trump Accounts" for children born between 2025 and 2028. These accounts prohibit withdrawals until the child reaches adulthood, delaying benefits until at least the early 2040s, and come with a cost slightly higher than an immediate, universal $1,000 baby bonus.[17]

A credit for family caregivers recognizes the economic value of unpaid care by helping families manage the cost of supporting aging or disabled loved ones. It could also reduce reliance on more expensive institutional care. A modest implementation of a caregiver tax credit included in an early draft of Build Back Better would have cost slightly less than OBBB's deduction on tipped income.[18]

Conclusion

OBBB's special new tax deductions fail to deliver tangible benefits to most Americans. The White House branded the provisions eliminating taxes on tips and overtime as "financial relief" for America's working class.[19] However, fewer than one in ten workers receive tip or overtime income, and even fewer will meet the income requirements necessary to receive a tax benefit. While an enhanced senior deduction has the potential to benefit a larger share of the population, most seniors earn incomes too low

Children," *Daily Mail (UK)*, March 4, 2023.
https://www.dailymail.co.uk/news/article-11821757/Trump-says-men-lucky-baby-bonuses-plan.html;
Tami Lubhy, "Trump's Latest Promised Tax Break Is for Family Caregivers," *CNN*, October 28, 2024.
https://www.cnn.com/2024/10/28/politics/family-caregivers-trump-tax-credit

[16] Leah Sargeant, "Newborn Needs: The Case for an American Baby Bonus," *Niskanen Center*, April 22, 2025.
https://www.niskanencenter.org/newborn-needs-the-case-for-an-american-baby-bonus/

[17] The cost is slightly larger because the tax advantages of "Trump Accounts" will displace some tax revenue.

[18] Joint Committee on Taxation. Estimated Budgetary Effects of an Amendment in the Nature of a Substitute to the Revenue Provisions of Subtitles F, G, H, I, and J of the Budget Reconciliation Legislative Recommendations Scheduled for Markup by the Committee on Ways and Means on September 14, 2021. JCX-42-21. Washington, DC: U.S. Congress, September 13, 2021.
https://www.jct.gov/publications/2021/jcx-42-21/

[19] Scott Bessent, "President Trump's 'Big, Beautiful Bill' Will Unleash Parallel Prosperity," Fox News, July 4, 2025.
https://www.foxnews.com/opinion/president-trumps-big-beautiful-bill-unleash-parallel-prosperity

to qualify. And the deduction for car interest is so narrowly targeted to new loans of American-manufactured vehicles that only 5 percent of Americans paying car interest will benefit.

Narrow targeting is not the only flaw of these provisions: even within these limited groups, structuring these breaks as tax deductions gives larger benefits to higher-income households. The top 1 percent will receive a slightly larger average dollar benefit than the bottom 60 percent from all of OBBB's new deductions.[20]

While OBBB's special new deductions may be politically salient, they are a small part of the overall bill: they come with a price tag of less than five percent of the bill's total tax cuts.[21] The bulk of OBBB simply extends unpopular and regressive tax cuts passed under Trump's first term. On top of the TCJA extension, OBBB adds even more tax breaks for high-income households while making deep cuts to SNAP, Medicaid, and renewable energy tax credits. The new deductions are a minor and ineffective token of targeted support to the middle and working class in an unprecedentedly regressive law.[22]

[20] Author's calculation from Yale Budget Lab data; the top 1 percent will average a $105 tax cut while the bottom 60 percent will average a $100 tax cut from all the new special deductions in OBBB.

[21] The total tax cuts are counted as the total JCT score for chapters one to four of OBBB.

Joint Committee on Taxation. *Estimated Revenue Effects Relative to the Current Policy Baseline of the Tax Provisions in "Title VII – Finance" of the Substitute Legislation as Passed by the Senate to Provide for Reconciliation of the Fiscal Year 2025 Budget*. JCX-34-25. Washington, DC: U.S. Congress, July 1, 2025. https://www.jct.gov/publications/2025/jcx-34-25/

Joint Committee on Taxation. *Estimated Revenue Effects Relative to the Present Law Baseline of the Tax Provisions in "Title VII – Finance" of the Substitute Legislation as Passed by the Senate to Provide for Reconciliation of the Fiscal Year 2025 Budget*. JCX-35-25. Washington, DC: U.S. Congress, July 1, 2025. https://www.jct.gov/publications/2025/jcx-35-25/

[22] Emily Badger, Alicia Parlapiano, and Margot Sanger-Katz, "Trump's Big Bill Would Be More Regressive Than Any Major Law in Decades," *The New York Times*, June 12, 2025. https://www.nytimes.com/interactive/2025/06/12/upshot/gop-megabill-distribution-poor-rich.html

Appendix

Deduction Structure Excludes Lower-Income Workers from Benefits

OBBB's new provisions are structured as tax deductions, which effectively exclude lower-income households from receiving benefits. To qualify for these deductions, taxpayers must owe federal income taxes, which excludes families with low or modest incomes. For instance, a married couple would need at least $31,600 of taxable income to start to receive any decrease in their tax bill from the new deductions.[23]

Minimum Income Thresholds To Benefit from New Deductions

Family Composition	Number of Children	Minimum Income Level Required to Receive Any Benefit from New Deductions
Single	0	$15,800
Married	0	$31,600
Single Parent	1	$28,700
Married	1	$36,600
Single Parent	2	$33,700
Married	2	$41,600
Single Parent	3	$38,700
Married	3	$46,600

Author's calculations for tax year 2025 after applying OBBB's other tax provisions (increased CTC and standard deduction) using Tax Calculator Version 4.6.2

[23] Taxpayers eligible for other above-the-line deductions (like for paying student loan interest or contributing to a retirement account) would need even higher levels of taxable income.

Though promoted as benefits for working families, these deductions require parents to have significantly higher taxable incomes compared to childless taxpayers. For instance, a single parent with two kids working full-time for $15 an hour with an average of eight hours of overtime each month would not earn enough to qualify for the overtime deduction. Seniors relying primarily on social security face even higher income thresholds to benefit because social security income receives preferential tax treatment.

Methodology for Imputing Tax Benefits

To calculate the number of workers who receive overtime or tip income, I used the Survey of Income and Program Participation (SIPP). Respondents report if they received both tip and/or overtime income for each job they had for the year and the amount they received. I merge this information to the Current Population Survey Annual Social and Economic Supplement (CPS-ASEC) based on income, marital status, and presence of children. For instance, if 5 percent of married workers with no children in the third income quintile reported receiving overtime pay in the SIPP, I would randomly impute 5 percent of workers with the same demographics in the CPS-ASEC to receive overtime pay, which I use for the tax calculations.

For car loan interest, I use the Survey of Consumer Finances, where respondents report how much interest they paid for the year on any vehicle loans. To simulate the eligibility requirements for OBBB's tax deduction, I restrict loans to new cars, and then randomly select 53 percent of the remaining qualifying households to qualify as having an American-manufactured car, following statistics from the Chicago Fed.[24]

Two factors will slightly overestimate eligibility across all deduction categories. First, people are modeled as above the phaseout point assuming they have the maximum amount of deductible income. For instance, I assume all tipped workers earn $25,000 in tips and will only not be eligible for the tipped income deduction if they are above the phase-out point with that level of tips. Second, deductions for tip and overtime income assume all people receiving that income type (within the income eligibility range) are eligible for the deduction; they do not account for OBBB's restrictions for "traditionally tipped occupations" and FLSA-mandated overtime. Conversely, some survey respondents may earn tip or overtime income but neglect to report it in the survey, potentially underestimating overall eligibility.

[24] Christopher Otts, "On Another Tariff Eve, Here Is the Impact to U.S. Autos," *Wall Street Journal*, March 3, 2025. https://www.wsj.com/business/autos/on-another-tariff-eve-here-is-the-impact-to-u-s-autos-c6592b0a

My approach differs slightly from other analyses that impute receiving tipped income via occupation and impute receiving FLSA-required overtime based on hours worked, wages received, and occupation.[25] Looking at traditionally tipped occupations and FLSA eligibility accounts directly for OBBB's eligibility restrictions. However, some people who work over 40 hours per week and appear eligible for FLSA overtime may not actually receive it, and some fraction of people working in occupations that typically receive tips may not receive them. These will both overestimate eligibility.

I correct income values in the CPS-ASEC for the population over age 65 to adjust for income underreporting in this population. For households under age 65, incomes closely match administrative records (between 2016 and 2021, average median income reported on the survey was within one percentage point of median income using administrative data).[26] Households over age 65 underreport their income by about 25 percent, which I correct for. However, it is likely the survey data still underestimates taxable incomes and thus will underestimate the fraction of seniors eligible for the enhanced senior standard deduction.[27]

Potential Shifts in Behavior That Would Expand Reach of New Deductions

Some people could adjust their behavior in response to the legislation, increasing the fraction of people eligible for the deductions. For the overtime and car interest deductions, incentivizing people to work more and buy American cars is one stated justification for the policy.[28] It is also possible "no tax on tips" will encourage more people to work in tipped

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[25] The Budget Lab, "The 'No Tax on Tips Act': Background on Tipped Workers," Yale University, June 24, 2024.
https://budgetlab.yale.edu/news/240624/no-tax-tips-act-background-tipped-workers
The Budget Lab, "'No Tax on Overtime' Raises Questions about Policy Design, Equity, and Tax Avoidance," Yale University, September 17, 2024.
https://budgetlab.yale.edu/news/240917/no-tax-overtime-raises-questions-about-policy-design-equity-and-tax-avoidance

[26] U.S. Census Bureau. National Experimental Well-Being Statistics (NEWS). Last modified July 14, 2025.
https://www.census.gov/data/experimental-data-products/national-experimental-well being-statistics.html.

[27] While I inflate incomes to match the distribution in the Census's NEWS data, many seniors have retirement income that they don't report receiving at all. Adam Bee and Joshua Mitchell. "Do Older Americans Have More Income Than We Think?" *Proceedings of the Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*, vol. 110, 2017, 1–85. National Tax Association.

[28] For instance, the White House's OBBB website states that "With the reduced tax burden of working overtime hours, many more workers may be willing to take additional shifts." The White House, "The One Big Beautiful Bill: No Tax on Overtime." Accessed July 27, 2025. https://www.whitehouse.gov/obbb/

occupations—some restaurant groups have expressed concern that "no tax on tips" will make it harder to retain non-tipped workers.[29]

As these are novel additions to the US tax code, there is little research to assess potential responsiveness. However, any changes in behavior to capture more of OBBB's new tax breaks will not change the overall conclusion that the new deductions are very narrowly targeted. For instance, even if the size of the tipped workforce doubled, the tipped income deduction would reach less than 6 percent of workers.

At most, only a small proportion of the population is likely to alter their behavior to qualify for these new deductions. However, a potentially much larger fraction of people may attempt to evade taxes by illicitly claiming new deductions. Employers may try to help employees by reclassifying a larger share of existing compensation as overtime or tipped income.[30] With IRS employment down 25 percent early into President Trump's term, and with more cuts planned, there will likely be few resources able to stop such behavior.[31] Existing research provides some evidence for this kind of tax evasion: when France exempted overtime income from taxes, overtime work did not significantly increase, but higher-income workers falsely reported more overtime income to reduce their taxes.[32]

[29] Elena Kadvany, "Will Trump's 'No Tax on Tips' Plan Help or Hurt Restaurants?" *San Francisco Chronicle*, June 2, 2025. https://sfchronicle.com/food/restaurants/article/no-tax-on-tips-bay-area-restaurants-20347981.php

[30] The overtime deduction is particularly vulnerable to manipulation because there is no history of third party information reporting for overtime income (it is not reported by employers on W-2s). While the law calls for the addition of this information going forward, since it applies for all of 2025 (despite being passed in the middle of the year), employers can approximate overtime income.

[31] Treasury Inspector General for Tax Administration, *Snapshot Report: IRS Workforce Reductions as of May 2025*, July 2025. https://www.tigta.gov/sites/default/files/reports/2025-07/2025ier027fr.pdf

[32] This is the only published research about exempting overtime income from taxation that I could find. Pierre Cahuc and Stéphane Carcillo, "The Detaxation of Overtime Hours: Lessons from the French Experiment," *Journal of Labor Economics* 32, no. 2 (2014): 361–400.