



## **Subject: Tip Reporting Compliance**

Form 8027 is a U.S. federal tax form used by certain employers in the food and beverage industry to report tips and allocated tips. It is specifically designed for restaurants. The form helps in tracking and reporting tip income accurately.

Here are some key points regarding Form 8027 compliance:

**1. Who Needs to File:**

- Employers in the food and beverage industry who have more than 10 employees who receive tips must file Form 8027.

**2. Reporting Requirements:**

- Form 8027 is used to report the total amount of tips received by employees, the total gross receipts of the business, and the allocated tips.

**3. Allocated Tips:**

- Allocated tips are the tips that are assigned to employees by the employer in situations where the total tips reported by employees are less than 8% of the gross receipts of the business.

**4. Tip Reporting by Employees:**

- Employees are required to report their tips to their employers. Employers are responsible for collecting and reporting this information accurately.

**5. Recordkeeping:**

- Employers must keep accurate records of both cash and non-cash tips received by employees.

**6. Deadline:**

- Form 8027 is generally due by the last day of February following the calendar year being reported.

**7. Penalties for Non-Compliance:**

- Failure to file Form 8027 or filing an incomplete or incorrect form may result in penalties. It is important to ensure accurate reporting to avoid any issues.

**8. Electronic Filing:**

- Employers who have 250 or more employees are required to file Form 8027 electronically.

Businesses in the food and beverage industry should be diligent in their compliance with Form 8027 to meet their reporting obligations and avoid potential penalties. It's recommended to consult with a tax professional at ClarkHirth, CPAs if you have any questions. We are here to serve!