TTAA Legislative & Regulatory Update

September 22, 2025

Possible Government Shutdown Looms

With just nine days remaining before government funding expires, the possibility of a shutdown at the end of the month is increasing. Both the House and Senate are currently in recess, and no funding agreement has been finalized.

House Action on Short-Term Funding
On Friday, the House narrowly passed a short-term continuing resolution (CR) by a 217-212 vote.

The bill would extend current FY 2025 spending levels through November 21 and includes several policy provisions:

- Extensions for programs such as Temporary Assistance for Needy Families (TANF), the National Flood Insurance Program, certain cybersecurity liability protections, and expanded Medicare telehealth services.
- Funding adjustments for defense programs and disaster aid.
- A temporary freeze on IRS enforcement funding from the Inflation Reduction Act.
- Full budget authority for the District of Columbia through FY 2026.
- Security funding for lawmakers and federal officials, totaling nearly $90 million.

Two Republicans opposed the bill, while one Democrat supported it. Following the vote, House leadership canceled legislative sessions for the upcoming week, meaning the chamber will not reconvene until after the shutdown deadline.

Senate Response
Later on Friday, the Senate held procedural votes on both the House-passed CR and an alternative CR proposed by Senate Democrats.
The Democratic proposal would fund the government through October 31 and included several provisions:

- Permanent extension of Affordable Care Act premium tax credits.
- Reversal of Medicaid cuts from earlier legislation.
- Restoration of certain rescinded federal funds.
- Similar security and D.C. budget provisions to the House CR.

Neither version advanced. The Democratic CR failed along party lines, 47-45, and the House-passed measure failed 44-48. One Democrat supported the House bill, and two Republicans voted against it.

Outlook
The Senate is set to return on Monday, leaving just two days before a potential shutdown. Senate Majority Whip John Thune is expected to bring the House CR up for another vote, though passage remains uncertain.

Lawmakers remain divided over both the content and approach to short-term funding, with no clear path to a resolution before the deadline.

Treasury, IRS Issue Final Regulations on New Roth Catch-up Rule, other SECURE 2.0 Act Provisions

The Department of the Treasury and the Internal Revenue Service today issued final regulations addressing several SECURE 2.0 Act provisions relating to catch-up contributions. (Catch-up contributions are additional contributions under a 401(k) or similar workplace retirement plan for employees who are age 50 or older.) The final regulations include final rules related to a SECURE 2.0 Act provision requiring that catch-up contributions made by certain higher-income participants be designated as after-tax Roth contributions.

The final regulations provide guidance for plan administrators to implement and comply with the new Roth catch-up rule and reflect comments received in response to the proposed regulations issued in January.

The final regulations also provide guidance relating to increased catch-up contribution limits under the SECURE 2.0 Act for certain retirement plan participants, in particular employees between the ages of 60-63 and employees in newly established SIMPLE plans.

Final regulations differ from the proposed regulations

While the final regulations generally follow the proposed regulations, changes were made in response to comments received on the proposed regulations. For example, the final regulations permit a plan administrator to aggregate wages received by a participant in the prior year from certain separate common law employers in determining whether the participant is subject to the Roth catch-up requirement.
In addition, the final regulations include changes to certain provisions in the proposed regulations, including those relating to:

- correction of a failure to comply with the Roth catch-up requirement,
- implementation of a deemed Roth election, and
- plans that cover participants in Puerto Rico.

Final regulations generally apply in 2027
The provisions in the final regulations relating to the Roth catch-up requirement generally apply to contributions in taxable years beginning after Dec. 31, 2026. However, the final regulations provide a later applicability date for certain governmental plans and plans maintained under a collective bargaining agreement.

The final regulations also permit plans to implement the Roth catch-up requirement for taxable years beginning before 2027 using a reasonable, good faith interpretation of statutory provisions.

The final regulations do not extend or modify the administrative transition period provided under Notice 2023-62 PDF, which generally ends on Dec. 31, 2025.

Treasury, IRS Issue Guidance Listing Occupations Of Workers Customarily & Regularly Receive Tips Under New Bill

The Department of the Treasury and the Internal Revenue Service today provided guidance on “no tax on tips” provision. The One, Big, Beautiful Bill proposed regulations identify occupations customarily and regularly receive tips and define “qualified tips” eligible taxpayers may claim as a deduction. The proposed regulations list nearly 70 separate occupations of tipped workers, from bartenders to water taxi operators.

Treasury and IRS request comments from the public within 30 days to be made through Regulations.gov. Complete instructions on submitting comments can be found in the proposed regulations. Comments on the proposed regulations are due by Oct. 23, 2025.

List of occupations that receive tips
Treasury Tipped Occupation Code, provides a three-digit code and descriptions for the occupations listed within the proposed regulations. The proposed regulations group the occupations into eight categories:

- 100s – Beverage and Food Service
- 200s – Entertainment and Events
- 300s – Hospitality and Guest Services
- 400s – Home Services
- 500s – Personal Services
- 600s – Personal Appearance and Wellness
- 700s – Recreation and Instruction
- 800s – Transportation and Delivery

Definition of qualified tips
In order to claim the deduction, a worker must both be in an occupation on the list and receive qualified tips. The proposed regulations provide a definition of qualified and not qualified tips which includes the following factors:

- Qualified tips must be paid in cash or an equivalent medium, such as check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash, or another form of electronic settlement or mobile payment application (excluding most digital assets) denominated in cash.
- Qualified tips must be received from customers or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement, such as a tip pool.
- Qualified tips must be paid voluntarily by the customer and not be subject to negotiation. Qualified tips do not include some service charges. For instance, in the case of a restaurant that imposes an automatic 18% service charge for large parties and distributes that amount to waiters, bussers and kitchen staff; if the charge is added with no option for the customer to disregard or modify it, the amounts distributed to the workers from it are not qualified tips.
- Any amount received for illegal activity, prostitution services, or pornographic activity is not a qualified tip.

Employers: Review payroll protections
Employers should confirm their payroll service providers have a fiduciary bond for added protection. Any business can create an **Electronic Federal Tax Payment System (EFTPS)** account to make secure, trackable online or phone payments, vital if displaced during a disaster. Visit **EFTPS.gov** to enroll.

IRS disaster relief is available
When a federal disaster is declared, the IRS often delays filing and payment deadlines. Relief is automatically applied based on the IRS address of record. Taxpayers outside affected areas, including relief workers or those with impacted tax records, may request assistance by calling 866-562-5227.

Uninsured disaster losses can be deducted on the tax return for the year of the loss or the prior year. See **Publication 547, Casualties, Disasters, and Thefts** for details.

Learn more

- **National Preparedness Month – Ready.gov**
- **IRS Tax Relief in Disaster Situations**
- **DisasterAssistance.gov**
- **U.S. Small Business Administration, Office of Disaster Recovery and Resilience**
- **Federal Emergency Management Agency**