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Certified Public Accountants

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Here's the Tax Beat broadcast for March 4

Subject line: The Most Entertaining Audit in IRS History is Coming

Somewhere in a nondescript federal building, an IRS agent is logging into OnlyFans. For work. (For those who aren't terminally online, OnlyFans is an online platform where "influencers" bypass the slow economy by flashing their naughty bits on camera and hoping their high school band teacher doesn't subscribe.) No, this isn't a scene from a reality show. It's the logical and completely unintended consequence of the "no tax on tips" rule tucked inside the One Big Beautiful Bill. And the deeper you dig into it, the better it gets.

Here's the quick version. Starting with the 2025 tax year, eligible workers can deduct up to \$25,000 a year in qualified tips. Waiters, bartenders, valets, hotel staff — the hardworking people the rule was sold to help. The Treasury Department ultimately identified nearly 70 qualifying occupations, including "digital content creators," "entertainers," and "performers."

If you squint, that sounds like it could cover the entire roster of OnlyFans. But here's where it gets complicated. The same law that created the tip deduction also carved out an exception. Income earned from prostitution or "pornographic activity" doesn't qualify. So, fans paying tips to, say, a yoga instructor on the platform are probably fine. But fans tipping someone doing something with a different set of "poses" aren't.

The practical problem is that the IRS now has to tell the difference. That could mean agents actually reviewing content during audits to determine whether a given creator crosses the line into disallowed activity. Just because someone creates content on OnlyFans doesn't automatically mean it is pornographic. People also use the platform for cooking, fitness, and lifestyle content. Fair enough. But "I was just posting sourdough tutorials" is going to be a fascinating audit defense.

Think about the training sessions. Think about the expense reports. Think about the poor GS-12 revenue agent who drew the short straw and now has to explain his browser history to his wife. The jokes write themselves. Unfortunately, so does the compliance burden.

There's a serious point hiding inside all this hilarity, and it's worth paying attention to. The no-tax-on-tips rule is a textbook example of what happens when Congress writes tax law with a bumper sticker and lets the IRS figure out the fine print. The concept kills at a campaign rally. The execution is a bureaucratic train wreck.

This week's story reveals how the law is almost never written for the situations it actually encounters in the real world. It's written for the situations politicians imagine when they are trying to score points with voters. Then the real world shows up, with its content creators, gig workers, hybrid businesses, and OnlyFans chefs. The gap between what Congress intended and what the IRS actually enforces is exactly where tax planning lives. It's also where expensive mistakes get made.

For now, the no-tax-on-tips rule is on the table, the exclusion for pornographic activity is in the books, and detailed guidance from the IRS is still taking shape. If you're working in the creator economy, and plan to exclude your tips, we need to have that conversation before the return gets filed, not after the audit notice arrives. The IRS is going to be paying very close attention to this space. In more ways than one.

If you want to make sure your tax strategy is built on something more solid than a campaign catchphrase, reach out. We can help you find legal, proven ways to keep more of what you earn *without* any drama. No OnlyFans required.

Kevin

