

8/24/25<sup>★</sup>

# Sunday Dump

WEEKLY NEWSLETTER



Welcome to the Sunday Dump, your weekly 5 minute digest of the most exciting developments in finance, economics and current events.

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# Economics: Inflation Strategies



The headline economic story this week is the Fed's pivot at Jackson Hole. Chair Jerome Powell has officially stated that the central bank is retiring 2020's 'make-up' strategy. This refers to letting inflation run hot for a while to make up for earlier years when it was too low. Instead, it's going back to a plain goal: aim for 2% inflation with no "overshoot" plan.

Where things stand currently: the main interest rate is about 4.25-4.50%. Inflation has cooled to roughly 3%. Through multiple conducted surveys, businesses are running smoothly. This mix signals that the Fed could lower rates if inflation keeps easing, but don't expect the very low rates from the 2010s. Furthermore, new tariffs can also push up prices.

What we learned from this week is, bottom line, the Fed has simplified its playbook at its Jackson Hole meeting. Rates will likely stay higher than we were used to before despite moderate inflation and steady growth.

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# A Dive into “No Tax On Tips”



On June 9th, 2024, in the middle of a campaign rally in Las Vegas, President Trump brought up an interesting issue: tips. As he recounted in the rally, a waitress approached Trump with the idea, to which he reportedly responded: “You just won the election for me.”

Kamala Harris seemed to agree about the idea’s popularity, adopting a similar promise to eliminate taxes on tips for service and hospitality workers. Fast forward to July 4th, and the No Tax on Tips Act, which had passed with bipartisan support (including a 100-0 vote in the Senate!), was signed into law by President Trump.

Problem solved, right?

Not exactly. First, the Act doesn’t entirely eliminate taxes on tips. Instead, it offers up to a \$25,000 deduction for tip earners. A deduction essentially reduces the amount an individual pays their income taxes on.

For example, say Jim is a service worker who earns \$50,000 a year, \$20,000 of which is from tips. Because their tip income is within the \$25,000 limit, Jim can subtract the \$20,000 from their income and pay income taxes as someone with \$30,000 income.

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# A Dive into “No Tax On Tips

But if Jim earned more than \$25,000 in tips, he would still have to pay taxes on the difference. Any tips Jim earned that weren't cash wouldn't be deductible—he'd still pay income taxes on them. And if Jim earned less than \$15,000, he would, like up to 37 percent of tipped workers, be exempt from income taxes altogether. That essentially means the lowest-earning service workers don't experience any benefit from the bill. Not to mention non-service workers, such as kitchen staff, are, of course, exempt from any consolation.

Further, Jim's payroll taxes, which contribute to Social Security and Medicare, are still calculated based on his total income, including tips. In other words, Jim's tips are still adding to his total tax expenses.

And one more major concern remains. Currently, restaurants can pay as low as \$2.13 an hour if income from tips brings the total income to minimum wage. Restaurants may see workers' tax savings as an excuse to lower the wages for service workers.

Though there is concern that the act will backfire, for the most part, the sharpest criticism of the bill continues to be its lack of solvency. The most struggling service workers don't benefit from the incomplete bill, and the remaining non-service workers who don't earn tips remain searching for other forms of relief.

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# Sunday Dump

## Upcoming Week...

WEEK OF 8/10/25

### Monday

 Job Openings

 \$PANW  
Earnings

### Tuesday

 FOMC Member  
Logan Speaks


### Wednesday

 FOMC Member  
Barkin Speaks


 \$CSCO  
Earnings

### Thursday

 Crude Oil  
Inventories


 \$WMT  
Earnings

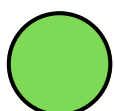
### Friday

 Core PCE Price  
Index m/m

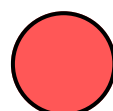
 \$UI Earnings

### Sat-Sun

 Sunday Dump  
Seminar



Key Economic Data



Key Stock Events

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# Thanks for reading



SUNDAY DUMP'S WEEKLY  
NEWSLETTER

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