

# INFORMATION REGARDING TAX DEDUCTIBILITY OF OT

Under the recently enacted One, Big, Beautiful Bill Act (OBBBA) and IRS Notice 2025-69, certain employees may now deduct a portion of their overtime pay from their federal taxable income.

**Key Takeaway:** This is a tax filing benefit. It does not change your hourly rate, your eligibility for overtime, or the amount of money in your regular paycheck. You will see the benefit only when you file your 2025 personal tax return.

## What Part of My Pay is Deductible?

Federal law distinguishes between your "regular" pay and the "overtime premium." Only the premium (the extra "half" in time-and-a-half) is deductible.

- Taxable: Your regular hourly rate for all hours worked.
- Deductible: The extra 50% "premium" added to your overtime hours.
- In the case of double time, only the "half" time is eligible for deduction.

## Example Calculation:

If you earn \$20/hour and work 10 hours of overtime:

- Total OT Pay: \$300 (10 hours at \$30/hour)
- The Breakdown:
  - \$200 is considered regular pay (Taxable)
  - \$100 is the overtime premium (may be deducted, consult with your tax advisor)

**Note: Annual deduction limits apply: \$12,500 for single filers and \$25,000 for married couples filing jointly. These limits apply only to the overtime premium portion; not total overtime pay.**

**Additionally, only the OT portion "half time" for over 40 hours is eligible. (Example: OT between 35 hours and 40 hours is not eligible for deduction).**

## **How to Claim the Deduction:**

For the 2025 tax year, the IRS does not require employers to show these overtime premium amounts on your W-2 form.

## **What is NOT Changing:**

Please note that this tax law does not change:

- The Collective bargaining agreement
- Your hourly pay rates or overtime eligibility.
- The way "time-and-a-half" is calculated.
- The amount of tax withheld from your current paychecks.

Any tax benefit is realized when filing a personal tax return, not in the paycheck.

**Note: The union cannot provide individual tax advice. Employees with questions about how this deduction may affect their personal tax situation are encouraged to consult a qualified tax professional.**

The amount of OT subject to the deduction DOES NOT require you to itemize and therefore, the deduction is in addition to the standard deduction.