NO TAX ON OVERTIME THROUGH 2028

WHAT IT MEANS FOR YOU

WHO'S COVERED?

- **W-2 employees** only– if you get a W-2 at the end of the year, you qualify.
- **Independent contractors are not covered**.

- **Income limits:**
  - **$150,000** for **single filers**
  - **$300,000** for **married couples filing jointly**
- **Rail carrier employees are not included** under this law.
- The **benefit ends in December 2028**. It is not permanent like other parts of the bill.

HOW DOES THE DEDUCTION WORK?

- Starting with your **2025 taxes**, your W-2 will show **how much of your pay was qualified overtime**.
- You can **deduct that overtime pay from your federal taxable income**– lowering your tax bill.

- **Deduction Limits:**
  - **Up to $12,500 a year** if you file **single**
  - **Up to $25,000 a year** if you file **jointly**
- If your income is **above the limit, the deduction phases down.**
  - Example: At **$152,000**, your deduction drops to **$12,300**.

WHAT COUNTS AS QUALIFIED OVERTIME?

- **Overtime compensation pay you earn under the Fair Labor Standards Act (FLSA):**
  - You may deduct the pay that **exceeds the regular rate of pay --such as the "half" portion of "time-and-a-half" pay** for hours worked beyond 40 in a week.

IS ALL EXTRA PAY COVERED?

NO, NOT EVERY KIND OF EXTRA PAY IS COVERED. YOU CANNOT DEDUCT:

- **State-only** overtime - if your state requires overtime rules that are different from federal law, that extra pay isn't deductible.
- **Union contract** overtime - Many union contracts define overtime more broadly than the FLSA.
  - Example: by providing premium pay for daily overtime (over 8 hours in a day) or for work on holidays or weekends. **Since these extra payments are based on a contract** rather than the FLSA requirement of over 40 hours per week, **they do not qualify** for the new tax deduction.
- **Extra pay that isn't true overtime**, like:
  - **Shift differentials**
  - **Weekend or holiday premiums**
  - **Night work bonuses**
- Think of it this way: **only federally required** "time-and-a-half after 40 hours" overtime counts. Anything else — even if it's extra pay — does not qualify for this deduction.)
  - This means that Laborers' in States like California **that require** double time payment for every hour worked after 12 hours **cannot deduct** this overtime payment.
  - This also means that Laborers' working under **collective bargaining agreements that provide double time** for all work on Sundays and/or holidays **cannot seek a deduction** on that overtime.

WHAT ABOUT OTHER TAXES?

- This deduction won't lower what you owe for:
  - **Social Security** or **Medicare taxes.**
  - **State taxes** or **local taxes**.
- This deduction **will not increase your take home pay**; it will only **reduce your annual taxes**.

LiUNA!

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