



FAQS: OBBA OVERTIME REPORTING 2025

The “One Big Beautiful Bill Act”, signed into law on July 4, 2025, included a provision called “No Tax on Overtime”, which introduced a federal income tax deduction for certain types of overtime pay.

1. When is this effective?

This deduction is effective for calendar years 2025 through 2028.

2. Who qualifies?

Employees who receive overtime pay under Section 7 of the Fair Labor Standards Act (FLSA). This applies to Swarthmore employees who are hourly and entitled to 1.5 times their hourly rate for hours physically worked over 40 in a week.

3. What earnings qualify for the deduction?

Only earnings that meet the definition of overtime under the FLSA, specifically all hours worked.

4. What earnings are not included in this calculation?

PTO, or sick, vacation, holiday do not count towards the FLSA definition of overtime and are not included.

5. What is the premium portion of the qualified overtime?

The premium portion is the “half” in “time-and-a-half” of the overtime. For example, if an employee earns \$20/hr, the standard overtime rate is \$30/hr (1.5 x \$20). The “qualified” portion is the \$10/hr premium, while the base \$20 does not qualify for this deduction.

6. How was my qualified overtime calculated for tax year 2025?

The payroll office reviewed all of your weekly hours worked in calendar year 2025 to reach the amount of premium overtime that counted towards this credit. The hours were then multiplied by the .50 of your current rate at the time the hours were worked.

7. Where can I find additional information?

Please click on this link [IRS OBBA Overtime](#) for further information.