



The UNIVERSITY of OKLAHOMA

2025 FAQ

“No-Tax Overtime” Provision under OBBBA

**1. What is “qualified overtime compensation”?**

It’s the extra part of your overtime pay—*not the full overtime amount*.

- When you earn overtime at 1.5×, only the extra 0.5 counts as “qualified.”
- If you get paid for comp time, then one-third of that payout also counts because the IRS treats that amount the same as the extra 0.5 overtime premium.

**Example:** If your normal pay is \$10 per hour, then your total overtime pay is \$15 per hour. The portion that is considered “qualified overtime” is only the extra \$5 you received per hour.

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**2. Why is this listed separately on my W-2?**

A new federal law—the One Big Beautiful Bill Act (OBBBA)—requires employers to report this amount so you can claim the related tax deduction.

- For 2025, you’ll see the amount in Box 14 on your W-2.

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**3. Why doesn’t the amount on my W-2 match my earnings statement?**

Your earnings statement shows **total** overtime and comp time you were paid.

Your W-2 shows only the IRS-defined “qualified” portion, which is calculated differently.

The totals will not match—and that’s expected.

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**4. Does all overtime qualify?**

No. Only the overtime that federal law (FLSA) *requires* qualifies, including:

- ✓ Hours *worked* over 40 in a week (most employees)
- ✓ Over 86 *worked* hours in a 2-week period for law enforcement
- ✓ One-third of paid comp time

Does *not* include:

- ✗ Overtime added because of University policy
- ✗ Overtime based on State rules
- ✗ Overtime created by PTO, holiday hours, or other paid time off—because those hours do not count toward FLSA overtime calculations

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**5. How much can I deduct?**

You may be able to deduct up to:

- \$12,500 (individual)
- \$25,000 (married filing jointly)

Eligibility varies, so check with your personal tax advisor.

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**6. Is overtime still taxed when I’m paid?**

Yes. Your overtime pay is still taxed like normal when you receive it (federal, state, local, Social Security, Medicare). The “no-tax” part comes later, when you file your tax return and potentially claim the deduction.

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**7. How long does this apply?**

The “No-Tax Overtime” rule applies to tax years 2025–2028, unless Congress extends it.