

Employee FAQ: 2025 Overtime Tax Deduction

If you are a non-exempt employee (eligible for overtime), the purpose of this FAQ is to provide the information you may need for a new overtime deduction on your 2025 tax return. Starting in calendar year 2025, the One, Big, Beautiful Bill Act allows employees to deduct the **premium portion of overtime pay** from their federal taxable income.

1. Will this show up on my W-2? How do I claim the deduction?

- **No, this will not appear on your W-2.** Per the IRS, employers are **not required** to report overtime separately on W-2 for 2025. You will need to calculate and claim the deduction yourself using payroll records (ex: paystubs, UKG pay summary).
- See examples under item 2 and item 4 below for how to use UKG to determine the **Premium Portion of Overtime Pay** for the deduction.
- Provide this information to your tax preparer, or, if preparing your own tax return, follow IRS instructions and/or tax preparation software instructions. Retain documentation with your tax records.
- Hilltop cannot provide tax advice. For further questions, consult a tax professional.

2. What counts as “overtime” for this deduction?

Only the Premium Portion of Overtime Pay under the Fair Labor Standards Act (FLSA), the federal rules governing overtime. This is the “half” in “time-and-a-half” of certain overtime pay, or the additional pay you earn when you work overtime. Here is an example:

	Hourly Wage	Overtime Hours	Pay
Regular Wage	\$22.00		\$220.00
+Premium Portion of Overtime Pay (the federal tax deduction)	\$11.00 the extra “half”		\$110.00
=Total Overtime Pay (per UKG)	\$33.00 the time- and-a-half	10	\$330.00

A reasonable method to estimate is: Total Overtime Pay divided by 3. Using the above example:

$$\$330.00 \div 3 = \$110.00 \text{ Premium Portion of Overtime Pay (the federal tax deduction)}$$

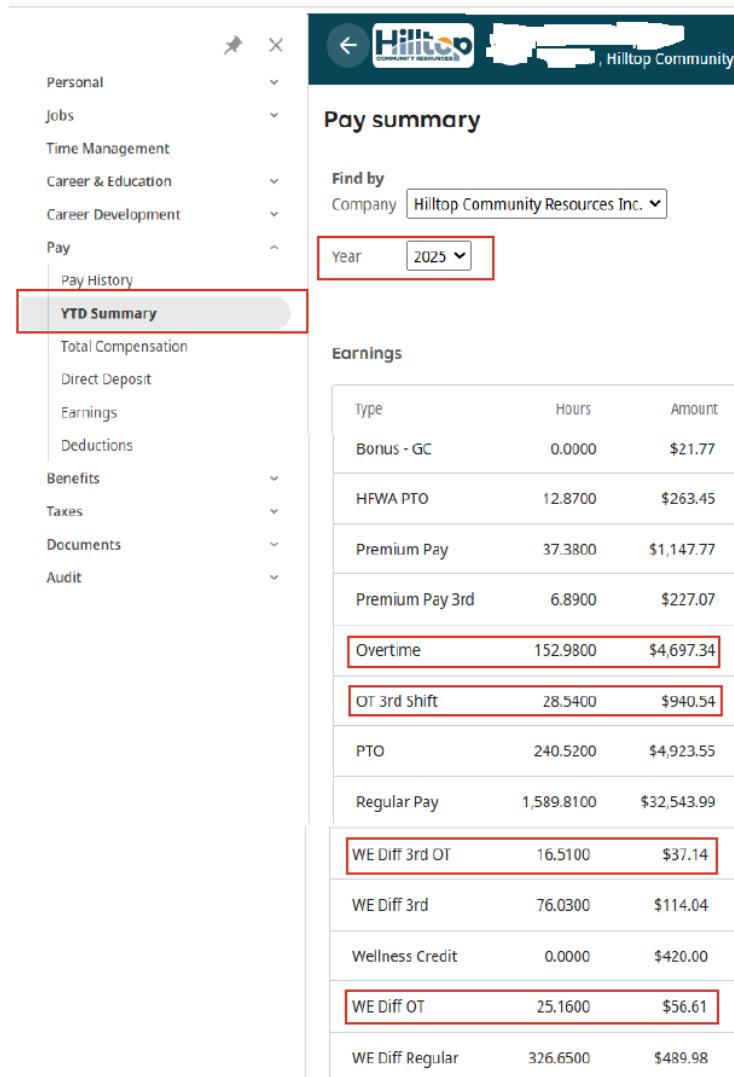
3. Does this affect my Colorado taxes too?

No. At this time, the overtime deduction only applies to federal income taxes and not to other types of payroll taxes (e.g., Colorado state income tax, FICA, FAMLI).

4. How do I find overtime pay information in UKG to calculate the Premium Portion of Overtime Pay (the federal tax deduction)?

- In UKG: Pay > YTD Summary. Choose Year = 2025
- Example using UKG screenshot below:

	Add together these categories per UKG YTD Summary:
\$4,697.34	Overtime
\$940.54	OT 3 rd Shift
\$37.14	WE Diff 3 rd OT
\$56.61	WE Diff OT
\$5,731.63	= Total Overtime Pay (time-and-a-half)
÷ 3	Divide by 3 to calculate only the “half” in time-and-a-half
= \$1,565.78	Premium Portion of Overtime Pay (the federal tax deduction)



Pay summary

Find by
Company: Hilltop Community Resources Inc.

Year: 2025

YTD Summary

Earnings

Type	Hours	Amount
Bonus - GC	0.0000	\$21.77
HFWA PTO	12.8700	\$263.45
Premium Pay	37.3800	\$1,147.77
Premium Pay 3rd	6.8900	\$227.07
Overtime	152.9800	\$4,697.34
OT 3rd Shift	28.5400	\$940.54
PTO	240.5200	\$4,923.55
Regular Pay	1,589.8100	\$32,543.99
WE Diff 3rd OT	16.5100	\$37.14
WE Diff 3rd	76.0300	\$114.04
Wellness Credit	0.0000	\$420.00
WE Diff OT	25.1600	\$56.61
WE Diff Regular	326.6500	\$489.98

NOTE: Ignore these zero amounts at the bottom of the screen.

One Big Beautiful Bill Exempt Wages 2025

Type	Amount
OT Premium Wages	\$0.00
Tip Wages	\$0.00

- IRS References:
 - [Treasury, IRS provide guidance for individuals who received tips or overtime during tax year 2025 | Internal Revenue Service](#)
 - [Guidance for Individual Taxpayers who received Qualified Tips or Qualified Overtime Compensation in 2025](#)