

Roundup: Employer resources on tax deduction for overtime pay

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Section 1

Introduction

On July 4, 2025, President Trump signed the “One Big Beautiful Bill,” which includes a federal income tax deduction on nonexempt workers’ overtime pay covered by the Fair Labor Standards Act. The overtime tax deduction is currently scheduled to expire after 2028.

To provide employers with some information about the deduction and the varying aspects and issues to consider, this roundup provides links to government information, third-party analyses, news articles, and viewpoints. The aggregated content in each section is organized in reverse chronological order, is by no means comprehensive, and does not necessarily reflect Mercer’s or the authors’ point of view on the subject.

Section 2

Highlights

Effective for 2025 through 2028, nonexempt workers who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay. The maximum annual deduction is \$12,500 (\$25,000 for joint filers), and the deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers). To receive the deduction, married couples must file jointly.

Employers are required to file information returns with the Internal Revenue Service (IRS) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

On November 21, 2025, the Treasury and IRS [issued](#) guidance [Notice 2025-69](#), for workers eligible to claim the deduction for overtime compensation for tax year 2025. The guidance includes overtime examples. [FAQs](#) were issued in January 2026.

Section 3

Government resources

- [HR 1 – One Big Beautiful Bill Act](#) (Congress, July 4, 2025)
- [President Trump has signed the One Big Beautiful Bill](#) (The White House)
- [Questions and answers about the new deduction for qualified overtime compensation](#) (IRS, January 2026)
- [Treasury, IRS provide guidance for individuals who received tips or overtime during tax year 2025](#) (IRS, November 21, 2025)
- [Notice 2025-69](#) (Government, November 2025)
- [Draft Form W-4 2026](#) (IRS, August 21, 2025)
- [One Big Beautiful Bill Act: Tax deductions for working Americans and seniors](#) (IRS, July 14, 2025)
- [One Big Beautiful Bill: no tax on overtime](#) (The White House, June 16, 2025)

Section 4

Law firm analyses, news and viewpoints

- [No tax on overtime calculator](#) (OTT Calculator)
- [Schedule to claim tips, overtime tax breaks published by IRS](#) (subscription required) (Bloomberg Law, March 2, 2026)
- [Indiana adopts federal cuts on tipped and overtime wages](#) (subscription required) (Bloomberg Law, February 26, 2026)
- [Employers must confront tax changes on tips, overtime and meals](#) (subscription required) (Bloomberg Law, January 28, 2026)
- [IRS news release: IRS issues FAQs clarifying new deductions for qualified overtime compensation](#) (subscription required) (Bloomberg Law, January 26, 2026)
- [Companies, workers gauge reporting on tax law's overtime break](#) (subscription required) (Bloomberg Law, December 8, 2025)
- [Millions miss out on overtime tax breaks under Trump labor rules](#) (subscription required) (Bloomberg Law, November 25, 2025)
- [IRS rules allow more workers to snatch overtime, tips breaks](#) (subscription required) (Bloomberg Law, November 21, 2025)
- [Labor Secretary says overtime tax break guidance to come in 2026](#) (subscription required) (Bloomberg Law, November 20, 2025)
- [Employers, workers prep for overtime tax break without IRS input](#) (subscription required) (Bloomberg Law, October 15, 2025)
- [One big beautiful bill: No tax on overtime pay explained \(2025-2028\)](#) (H&R Block) [Draft 2026 Form W-4: What's changing and what to do](#) (Experian, August 25, 2025)
- [IRS adds tip, overtime deductions to 2026 Form W-4 draft](#) (subscription required) (Bloomberg Law, August 22, 2025)
- [Key payroll provisions in the One Big Beautiful Bill: What employers need to know](#) (Parsons Behle & Latimer, August 14, 2025)
- [Unlocking savings: New tax breaks for overtime and tips — What employers need to know](#) (Womble Bond Dickenson, August 4, 2025)

- [Who gets 'no tax on overtime'? It's messy.](#) (subscription required) (The Wall Street Journal, July 31, 2025)
- [The 'Big Beautiful Bill' & potential FLSA pitfalls: What employers need to know on 'no tax on tips & overtime' provisions](#) (JD Supra, July 23, 2025)
- [Retroactive tax law for tips and overtime demands immediate action, payroll expert cautions](#) (Thomson Reuters, July 22, 2025)
- [When does no tax on overtime start? Everything you need to know in 2025](#) (Legal United States, July 20, 2025)
- [No tax on overtime explained](#) (subscription required) (Forbes, July 17, 2025)
- [Issues related to the 'no tax on overtime' provision](#) (von Briesen, July 15, 2025)
- [No tax on tips or overtime in the OBBBA: What employers need to know](#) (Baker McKenzie, July 15, 2025)
- [IRS to give relief on tips, overtime breaks in Trump's tax law](#) (subscription required) (Bloomberg Law, July 14, 2025)
- [Federal OBBBA round-up: What employers need to know now](#) (Jackson Lewis, July 10, 2025)
- [How the Big Beautiful Bill will affect your big beautiful workplace](#) (Bradley, July 10, 2025)
- [Employment law implications of Trump's new One Big Beautiful Bill Act](#) (Worklaw, July 9, 2025)
- [It's official — No tax on tips, no tax on overtime through 2028](#) (Ogletree Deakins, July 9, 2025)
- [No tax on overtime: W-2 reporting changes you should know](#) (HR Morning, July 8, 2025)
- [No tax on overtime pay: Overtime tax exemption 2025 updates](#) (Paycom, July 7, 2025)
- [Overtime just got a tax break: What the 'no tax on overtime' deduction means for you](#) (Schwartz Schwartz, July 6, 2025)
- [No tax on overtime: What workers should expect](#) (Castle Accounting, July 4, 2025)
- [No tax on overtime passes in Trump's Big Beautiful Bill: What to know](#) (Newsweek, July 2, 2025)
- [The 2025 tax bill: No taxes on overtime, simplified](#) (Bipartisan Policy Center, June 16, 2025)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.

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