



Option to Calculate Overtime Pay

The new tax legislation signed into law in July of 2025 allows employees to claim the **overtime premium** portion of their overtime earnings on their 2025 taxes.

The overtime premium will **NOT** appear separately on the employee's 2025 W2. The employee will need to determine their premium amount.

To find the overtime premium amount:

1. Add the total overtime pay for 2025, found on the employee's final paystub.
2. Divide this amount by 3.

Why divide by 3?:

Overtime is paid at 1.5x an employee's regular pay rate.

1. $1.0x$ = regular pay
2. $0.5x$ = overtime premium

The premium (.05) is one-third of the total 1.5x overtime pay.

The year-end pay summary and W2 should be maintained as tax records.

Annual Caps

- **Up to \$12,500** in overtime premium can be claimed for single filers
- **Up to \$25,000** in overtime premiums can be claimed for joint filers

FLSA minimum

The "premium" required by the FLSA is only the extra $0.5 \times$ regular rate.

If an employer pays more than the FLSA minimum (e.g., double time, or 2x the regular rate rather than 1.5x), only the portion required by the FLSA (.5x) is considered "qualified overtime compensation" for the deduction. The additional amount paid above the FLSA requirement is not "qualified overtime compensation".