

Answers to Frequently Asked Questions Regarding the 2025 OBBBA Federal Income Tax Deduction for Qualified Overtime Compensation

I. GENERAL QUESTIONS

Q: I heard that there is a tax deduction for overtime. Can you provide me with information about the deduction?

A: Under the One Big Beautiful Bill Act (OBBBA), which became law in July 2025, eligible taxpayers may be able to claim a deduction for certain qualified overtime compensation (QOC) when filing their 2025 federal individual income tax return (Form 1040). The QOC deduction only applies to the overtime premium—the extra “half” portion of time-and-a-half overtime pay—required to be paid based on the federal Fair Labor Standards Act (FLSA), which only applies to hours actually worked that exceed 40 hours in a week. Pay and occupational codes other than for hours worked do not count towards the federal FLSA +40 hour overtime threshold. If you received QOC in 2025, you may be eligible for this deduction. For more information on this federal income tax deduction, please see the Internal Revenue Service’s (IRS’s) guidance at <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>.

Q: How much is the overtime deduction worth?

A: For single filers, the maximum federal income tax deduction is \$12,500, and for married-filing-jointly filers it is \$25,000 (total). The exact amount of any federal income tax deduction you may claim depends on a number of factors, including the amount of QOC you received in 2025, your filing status, your modified adjusted gross income (MAGI), and your marginal federal income tax rate. Please direct any questions concerning how the QOC deduction rules apply to your tax situation to your personal tax advisor.

Q: Is the overtime pay I receive still subject to tax withholding?

A: Yes. PMA will continue to withhold applicable federal, state and local taxes on all overtime wages, including qualified overtime compensation, to the extent legally required. The OBBBA allows eligible taxpayers who qualify to claim a deduction for certain overtime compensation when filing their federal individual income tax return (Form 1040).

Q: Can I claim a state income tax deduction for QOC that I earned during 2025?

A: It depends on your state of residence, as some states follow federal tax standards (including the QOC deduction rules) while other states do not follow federal tax standards. Currently, Oregon authorizes a state income tax deduction for OBBBA qualified overtime compensation, while California and Washington do not. Please direct any questions concerning how the QOC deduction rules apply to your tax situation to your personal tax advisor.

Q: Where can I find guidance from the IRS on 2025 QOC?

A: The IRS's website contains helpful information: <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>. The 2025 Form 1040 instructions published by the IRS also contain information regarding the QOC deduction. The 2025 Form 1040 instructions are available at <https://www.irs.gov/pub/irs-pdf/f1040gi.pdf>. Additional information can be found in IRS Notice 2025-69, available at <https://www.irs.gov/pub/irs-drop/n-25-69.pdf>.

II. QUESTIONS ON WHERE WORKERS CAN FIND THEIR QOC AMOUNT

Q: Is PMA going to provide me with my QOC for 2025?

A: Yes. For eligible workers who earned QOC, PMA provided an estimate of your 2025 QOC on a statement on Dockworker Self Service (DSS) Portal <https://selfservice.pmanet.org/>. If you did not receive this statement, you can email the Payroll Department at prsmail@pmanet.org or call (888) PMA-1234. Please note that the QOC estimate that PMA provided may differ from your total overtime pay because some of PMA's payroll calculations apply state overtime laws and/or collectively bargained overtime arrangements that differ from the federal FLSA standards that determine whether (and how much) an eligible taxpayer has been paid QOC.

Q: I heard PMA provided QOC amounts to other workers. Why didn't PMA provide me with my QOC?

A: It may be because you were not paid any overtime that is considered QOC in 2025. Only workers who received overtime pay that was *required* under the federal FLSA in 2025 have QOC. If you are not eligible for overtime pay because you are classified as exempt from overtime or worked overtime that is only required under state law or collectively bargained overtime arrangements, you will not have any QOC.

III. QUESTIONS REGARDING HOW THE QOC WAS CALCULATED

Q: How was my QOC determined?

A: PMA estimated your 2025 QOC by following the IRS's guidance. If you would like more information about the IRS's guidance on estimating QOC, please visit the IRS's website: <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>. The 2025 Form 1040 instructions published by the IRS also contain information regarding the QOC deduction. The 2025 Form 1040 instructions are available at <https://www.irs.gov/pub/irs-pdf/f1040gi.pdf>. Additional information can be found in IRS Notice 2025-69, available at <https://www.irs.gov/pub/irs-drop/n-25-69.pdf>.

Q: My tax return preparer has asked me for proof of the value of my 2025 QOC. What should I provide to my tax return preparer?

A: Under IRS transition period guidance, you can rely on the estimated QOC value that PMA reported on your 2025 Estimated Qualified Overtime Compensation Statement. PMA suggests you provide a copy of your 2025 Estimated Qualified Overtime Compensation Statement, along with these FAQs/email, to your personal tax advisor. If you would like more information about the IRS's guidance on estimating QOC, please visit the IRS's website: <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>. The 2025 Form 1040 instructions published by the IRS also contain information regarding the QOC deduction. The 2025 Form 1040 instructions are available at <https://www.irs.gov/pub/irs-pdf/f1040gi.pdf>. Additional information can be found in IRS Notice 2025-69, available at <https://www.irs.gov/pub/irs-drop/n-25-69.pdf>.

Q: I don't think the QOC amount PMA provided me is accurate. Can you show me how my QOC was calculated?

A: PMA estimated your 2025 QOC by following the IRS's guidance and provided this number to workers as a courtesy. If you believe the estimated QOC that PMA provided to you is incorrect, PMA recommends you consult with your personal tax advisor to determine whether (and how much) you may be entitled to claim as a QOC deduction on your 2025 individual income tax return (Form 1040).

Q: My paystub shows I earned more overtime pay than what PMA reported as my QOC. Is the QOC number PMA provided to me wrong?

A: PMA estimated your 2025 QOC in accordance with methods approved by the IRS. The QOC deduction only applies to the overtime premium—the extra “half” portion of time-and-a-half overtime pay—required to be paid based on federal FLSA standards. The amount of overtime pay on your paystub may include both the “straight” and “half” time portion of your overtime pay as one amount. The amount of overtime listed on your paystub and your QOC may also differ because some of PMA's payroll calculations apply state overtime laws and/or collectively bargained overtime arrangements that differ from the federal FLSA standards that determine whether (and how much) an eligible taxpayer has been paid QOC. If you would like further guidance on what qualifies as QOC and how this amount is calculated, please see IRS guidance at <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>. The 2025 Form 1040 instructions published by the IRS also contain information regarding the QOC deduction. The 2025 Form 1040 instructions are available at <https://www.irs.gov/pub/irs-pdf/f1040gi.pdf>. Additional information can be found in IRS Notice 2025-69, available at <https://www.irs.gov/pub/irs-drop/n-25-69.pdf>.

IV. QUESTIONS REGARDING ADJUSTING TAX WITHHOLDINGS FOR 2026

Q: How do I adjust my tax withholdings to account for the QOC deduction in 2026?

A: To adjust your federal income tax withholdings for 2026, you will need to fill out a new Form W-4 (Employee's Withholding Certificate). To do so, please contact Payroll Services at prsmail@pmanet.org or (888) PMA-1234. Please note that if you overestimate the amount of QOC you may ultimately be entitled to deduct, you could end up owing additional federal income taxes when you file your 2026 federal individual income tax return (Form 1040). Please note that PMA cannot provide you with tax advice concerning whether you are entitled to claim a QOC deduction. Please direct any questions concerning how the QOC deduction rules apply to your personal tax situation to your personal tax advisor.