

January 28, 2026

TO: ILWU Coast Committee

FROM: PMA Contract Administration and Arbitration Department

**SUBJECT: Notice of 2025 Qualified Overtime Compensation Tax Reporting**

Under the One Big Beautiful Bill Act (OBBBA), which became law in July 2025, eligible taxpayers may be able to claim a federal income tax deduction for certain qualified overtime compensation (QOC) when filing their 2025 federal individual income tax returns (Form 1040). Currently, Oregon has authorized a state income tax deduction for QOC, while California and Washington have not. Dockworkers covered by PMA-ILWU agreements may be eligible to claim a federal (and Oregon state) income tax deduction equal to some or all of the QOC they earned during 2025, up to the statutory maximum amount.

For single filers, the maximum federal income tax deduction is \$12,500, and for married-filing-jointly filers it is \$25,000 (total). Whether (and how much) QOC a worker may be eligible to deduct depends on each worker's personal tax profile. For instance, the exact amount of QOC that a worker may be able to deduct depends on a number of factors, including the amount of QOC a worker received in 2025, a worker's filing status, a worker's modified adjusted gross income (MAGI), and a worker's marginal income tax rate. As such, workers should direct any questions concerning how the QOC deduction rules apply to their own tax situation to their personal tax advisor.

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). Collectively bargained overtime premiums that exceed the extra “half” portion of time-and-a-half overtime pay do not qualify as QOC. In addition, under FLSA standards, QOC 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 FLSA's 40 hour per week overtime threshold.

For 2025 reporting, the IRS has authorized QOC to be reported on a statement separate from employees' Form W-2 wage statements. Consistent with the IRS guidelines, PMA will be sending an estimate of QOC that each worker earned during 2025, along with Frequently Asked Questions (FAQs) that address common issues about eligibility, what does/doesn't qualify as QOC, and how to claim a QOC deduction. We have attached a draft of the FAQs for your reference.

PMA will be posting the 2025 QOC estimates via the DSS on or about January 31, 2026. Workers can download a copy of their 2025 QOC estimate through the DSS. Additionally, workers can contact PMA's Payroll Department to request their QOC estimate.

IRS guidelines instruct that workers may rely on PMA's estimate of the amount of QOC they earned during 2025 under ILWU-PMA agreements.

General information about how PMA has estimated and reported QOC that workers earned during 2025 can be found in the attached FAQs that can be downloaded through the DSS.

In the event that workers contact the ILWU with questions about the QOC deduction, please refer to the FAQs we are providing as well as the resources that are available on the IRS website:

- [2025 Qualified Overtime Compensation page](#)<sup>1</sup>
- [2025 Form 1040, Schedule 1-A Instructions](#)<sup>2</sup>
- [IRS Notice 2025-69](#)<sup>3</sup>

Workers can contact the PMA Payroll Department at [prsmail@pmanet.org](mailto:prsmail@pmanet.org) or (888) PMA-1234 for general information about 2025 QOC reporting.

Please let us know if you have any questions or would like to discuss.

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<sup>1</sup> The 2025 Qualified Overtime Compensation page is available at: <https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025> (last checked January 27, 2026).

<sup>2</sup> The 2025 Form 1040 Schedule 1-A Instructions are available at: <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf> (last checked January 27, 2026).

<sup>3</sup> IRS Notice 2025-69 is available at: <https://www.irs.gov/pub/irs-drop/n-25-69.pdf> (last checked January 27, 2026).