

Subject: Important Information on Overtime Tax Deduction for 2025

Important Reminder:

This information is provided for general awareness and should not be considered tax advice. Individual tax situations vary, and we strongly recommend consulting a qualified tax professional for guidance. We are not tax professionals and cannot give advice about individual situations or about the application of tax law.

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On July 4, 2025, the *One Big Beautiful Bill Act (OBBBA)* was signed into law. One of its provisions introduces a new federal tax deduction for certain overtime pay earned by eligible employees.

If you are eligible for overtime under the Fair Labor Standards Act (FLSA), you may be able to deduct a portion of your overtime pay from your taxable income when filing your 2025 Federal income tax return.

Key Points to Know:

- The IRS does **not** require employers to provide special reporting for this deduction in 2025.
- According to [IRS Notice 2025-69](#), employees can use the overtime amounts shown on their pay stubs to calculate the deduction, however our understanding is that the deduction applies **only to the 0.5 premium portion of overtime pay**-not the full 1.5 rate displayed on your pay stub.
- If you plan to claim this deduction, please review [IRS Notice 2025-69](#) for instructions on determining the eligible amount.

Houghton University Details:

Although we are not required to provide amounts for 2025, Houghton University is providing a total calculation of the Premium Overtime amounts paid in 2025 to applicable employees as a courtesy.

“Premium Overtime” is the amount paid over the regular rate of pay; generally, the .5 of the 1.5 rate for standard overtime calculations. However, sometimes a “blended overtime rate” is required to be calculated instead of a standard 1.5 rate, if an employee with multiple positions paid at different hourly rates goes into overtime. Therefore, dividing the total annual overtime pay amount on a paystub by 3 may not be an accurate reflection of the Premium Overtime amounts paid.

Houghton University will provide these totals via a separate letter **only** to those employees who earned overtime in 2025. This letter will be distributed later in January with the 2025 W2 forms. (Note: Salaried employees are not eligible for overtime; this only applies to employees paid on an hourly basis.) Please contact the Payroll Office with any questions at 585-567-9319.