

One Big Beautiful Bill Overtime (OB BB) – Deduction Information

SECTION 1 — Explanation of Qualified Overtime Compensation

OB BB defines qualified overtime compensation as overtime required under section 7 of the Fair Labor Standards Act (FLSA) that exceeds the regular rate.^{1,3}

“The deduction applies only to the premium portion of overtime required by the FLSA.”²

“Any additional amounts — for example, overtime paid under more generous state laws, collective bargaining agreements, voluntary premiums — remain ineligible.”²

This language excludes only the extra premiums created by CBAs. It does not exclude workers covered by CBAs from claiming the FLSA-required portion.

SECTION 2 — Statutory Language (Public Law 119-21)

“overtime compensation required under section 7 of the Fair Labor Standards Act of 1938... to the extent such compensation exceeds the regular rate.”¹

This definition does not exclude workers covered by collective bargaining agreements. It limits the deduction to the FLSA-required premium.

SECTION 3 — IRS Guidance (IRS Notice 2025-69)

“The deduction applies only to the premium portion of overtime required by the FLSA.”²

“Any additional amounts — for example, overtime paid under more generous state laws, collective bargaining agreements, voluntary premiums — remain ineligible.”²

This excludes only the additional premiums created by CBAs, not the FLSA-required portion.

SECTION 4 — Analysis of Eligibility for Workers Covered by CBAs

“Any additional amounts — for example, overtime paid under more generous state laws, collective bargaining agreements, voluntary premiums — remain ineligible.”²

“overtime compensation required under section 7 of the Fair Labor Standards Act... to the extent such compensation exceeds the regular rate.”¹

FLSA §7 requires overtime for all hours worked over 40 in a workweek, paid at 1.5× the regular rate.³

For hours worked over 40:

- The 1.0× regular rate portion is not deductible.
- The 0.5× FLSA-required premium is deductible.^{1,3}
- Any additional CBA-created premium is not deductible.²

IRS Notice 2025-69 excludes only the additional premium amounts not required by the FLSA.²

The statute and IRS guidance establish:

1. Eligibility is based solely on FLSA §7 overtime.^{1, 3}
2. Only the FLSA-required 0.5 premium qualifies.^{1, 3}
3. Additional CBA-created premiums do not qualify.²
4. Workers covered by CBAs remain eligible for the FLSA-required portion.^{1, 3}
5. No statutory or IRS language excludes workers under CBAs.^{1, 2, 3}

SOURCE LINKS

¹ Public Law 119-21 (H.R. 1) — OBBB

<https://www.congress.gov/bill/119th-congress/house-bill/1/text>

² IRS Notice 2025-69 — Individual Overtime Deduction Guidance

<https://www.irs.gov/pub/irs-drop/n-25-69.pdf>

³ Fair Labor Standards Act — Section 7 (Overtime Requirements)

<https://www.dol.gov/agencies/whd/flsa>

⁴ IRS Guidance 2025-62 — Employer Reporting Relief

<https://www.irs.gov/pub/irs-drop/n-25-62.pdf>

⁵ IRS Guidance IR-2025-110 — Implementation Summary

<https://www.irs.gov/newsroom/irs-2025-110>

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