

# One Big Beautiful Bill Overtime (OBBA) – Deduction Information

## SECTION 1 — Explanation of Qualified Overtime Compensation

OBBA defines qualified overtime compensation as overtime required under section 7 of the Fair Labor Standards Act (FLSA) that exceeds the regular rate.<sup>1,3</sup>

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

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

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

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## 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.”<sup>1</sup>

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

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

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

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

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

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## 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.”<sup>2</sup>

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

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

For hours worked over 40:

- The 1.0× regular rate portion is not deductible.
- The 0.5× FLSA-required premium is deductible.<sup>1,3</sup>
- Any additional CBA-created premium is not deductible.<sup>2</sup>

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

The statute and IRS guidance establish:

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

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## SOURCE LINKS

<sup>1</sup> Public Law 119-21 (H.R. 1) — OB  
<https://www.congress.gov/bill/119th-congress/house-bill/1/text>

<sup>2</sup> IRS Notice 2025-69 — Individual Overtime Deduction Guidance  
<https://www.irs.gov/pub/irs-drop/n-25-69.pdf>

<sup>3</sup> Fair Labor Standards Act — Section 7 (Overtime Requirements)  
<https://www.dol.gov/agencies/whd/flsa>

<sup>4</sup> IRS Guidance 2025-62 — Employer Reporting Relief  
<https://www.irs.gov/pub/irs-drop/n-25-62.pdf>

<sup>5</sup> IRS Guidance IR-2025-110 — Implementation Summary  
<https://www.irs.gov/newsroom/irs-2025-110>

## Disclaimer

This material is provided for general informational purposes only and is not intended as tax, legal, or financial advice. The interpretation of federal law, IRS notices, and FLSA requirements may vary based on individual circumstances. Workers should consult a qualified tax professional for guidance on their specific situation and for answers to any questions about eligibility, reporting, or application of the overtime deduction.