

# Goals for this Webinar:

1. What is “NO Tax on Overtime”?
2. How can NEMRC help you meet your reporting requirements and what can we not do?
3. IRS Options for Reporting: What is the NEMRC Option for 2025?
4. What can you expect for 2026?
5. Just a quick reminder to update payroll to the latest version

Remember this is a transition year so no one is going to be perfect at this and I suspect that there will even be changes. This is a work in progress and the updates and changes we have made have been the best attempt to find something for you to use as a tool this year and going forward. Let's learn from each other!!

# “No Tax on Overtime”

**“No Tax on Overtime”  
From the IRS Website**

<https://www.irs.gov/newsroom/one-big-beautiful-bill-act-tax-deductions-for-working-americans-and-seniors>

New deduction: Effective for 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay – such as the “half” portion of “time-and-a-half” compensation -- that is required by the Fair Labor Standards Act (FLSA) and that is reported on a Form W-2, Form 1099, or other specified statement furnished to the individual.

Maximum annual deduction is \$12,500 (\$25,000 for joint filers).

Deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

# Reporting Qualified OT to Employees

- Employers can make the qualified overtime information available to employees through several methods:
- Box 14 of Form W-2: This is the most common recommended approach. Employers can use a custom label like "Qualified OT" or "TT" in Box 14 to show the total deductible amount. (this is not an option this year)
- **\*\*Separate Written Statement: Employers can provide a separate year-end statement or letter to employees listing the total qualified overtime amount.**
- Online Portal: Information can be made available through a secure online employee portal.

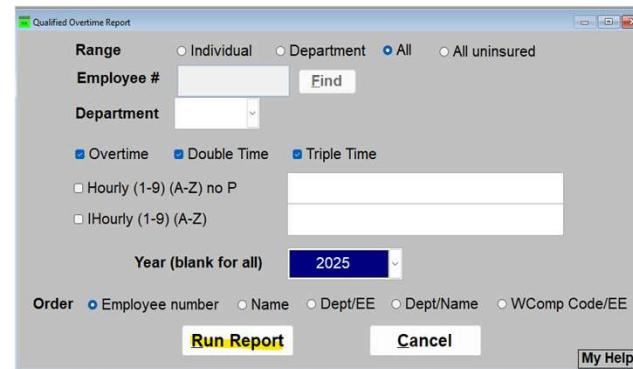
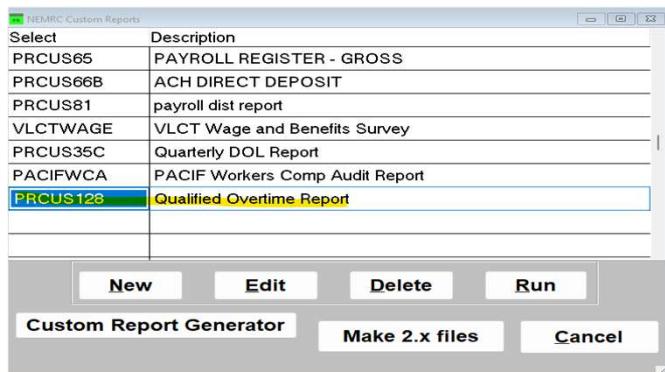
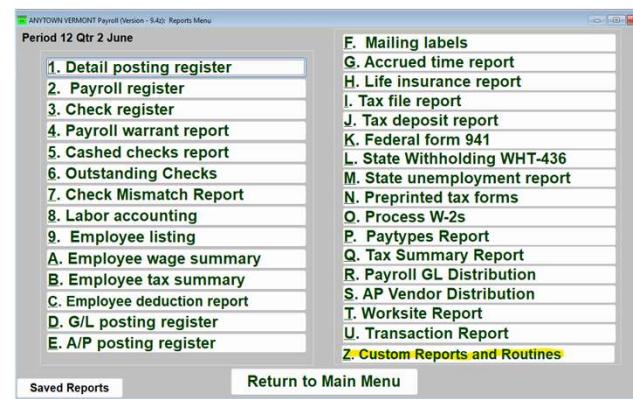
# NEMRC Custom Report

## Qualified Overtime Statement

- Payroll Reports Menu
- Custom Reports and Routines
- PRCUS128: Qualified Overtime
- You will need to know the paytypes that you are going to be reporting on. If you only use the standard overtime paytypes OT, DT and TT, you will be able to select those easily. If you use other paytypes to pay your employees overtime pay, you will need to know what those paytypes are and the factors they are using, example: 1.5(time and half)
- Run Proof Sheet for All Employees and review them for accuracy
- Run Statements for Employees, it will print a separate statement for each employee to be included with their W2

## Reporting Qualified Overtime for 2025

- Payroll
- Main Menu
- Option R. Reports Menu
- Option Z. Custom Reports and Routines
- PRCUS128 Qualified Overtime Report
- Select options
- Choose 2025 for the Year
- Run Report



## Proof Sheet: Review for accuracy

| TOWN VERMONT Payroll<br>Quarried Overtime Report - Proof Sheet |               |                |            |       |         |                     |
|--|---------------|----------------|------------|-------|---------|---------------------|
| All by Employee For Double OT Triple OT OT for Year 2024       |               |                |            |       |         |                     |
| Employee Number  | Employee Name | Pay Type       | Check Date | Qty   | Rate    | Qualified OT Amount |
| HM   |               | OT - Over Time | 11/05/24   | 0.00  | 39.0000 | 0.00                |
| HM   |               | OT - Over Time | 11/13/24   | 0.00  | 39.0000 | 0.00                |
| HM   |               | OT - Over Time | 11/18/24   | 0.00  | 39.0000 | 0.00                |
|  |               |                |            |       |         | 0.00                |
| KA   |               | OT - Over Time | 03/12/24   | 2.00  | 47.2500 | 94.50               |
| KA   |               | OT - Over Time | 11/13/24   | 3.50  | 48.6750 | 170.36              |
|  |               |                |            |       |         | 264.86              |
| LL   |               | OT - Over Time | 01/17/24   | 38.00 | 48.8250 | 1,855.35            |
| LL   |               | OT - Over Time | 01/23/24   | 21.00 | 48.8250 | 1,025.33            |
| LL   |               | OT - Over Time | 01/30/24   | 9.50  | 48.8250 | 463.84              |
| LL   |               | OT - Over Time | 02/06/24   | 9.00  | 48.8250 | 439.43              |
| LL   |               | OT - Over Time | 02/21/24   | 9.50  | 48.8250 | 463.84              |
| LL   |               | OT - Over Time | 02/27/24   | 3.50  | 48.8250 | 170.89              |
| LL   |               | OT - Over Time | 03/05/24   | 3.00  | 48.8250 | 146.48              |
| LL   |               | OT - Over Time | 03/19/24   | 10.00 | 48.8250 | 488.25              |
| LL   |               | OT - Over Time | 03/26/24   | 13.00 | 48.8250 | 634.73              |
| LL   |               | OT - Over Time | 04/02/24   | 12.00 | 48.8250 | 585.90              |
| LL   |               | OT - Over Time | 04/09/24   | 14.00 | 48.8250 | 683.55              |
|  |               |                |            |       |         | 6,957.59            |
| PE   |               | OT - Over Time | 01/03/24   | 1.00  | 46.5000 | 46.50               |
|  |               |                |            |       |         | 46.50               |
| WC   |               | OT - Over Time | 01/03/24   | 4.00  | 39.0000 | 156.00              |
| WC   |               | OT - Over Time | 01/17/24   | 40.50 | 39.0000 | 1,579.50            |
| WC   |               | OT - Over Time | 01/23/24   | 19.00 | 39.0000 | 741.00              |
| WC   |               | OT - Over Time | 01/30/24   | 10.00 | 39.0000 | 390.00              |
| WC   |               | OT - Over Time | 02/06/24   | 6.00  | 39.0000 | 234.00              |
| WC   |               | OT - Over Time | 02/21/24   | 10.00 | 39.0000 | 390.00              |
| WC   |               | OT - Over Time | 02/27/24   | 8.50  | 39.0000 | 331.50              |
| WC   |               | OT - Over Time | 03/05/24   | 5.00  | 39.0000 | 195.00              |
| WC   |               | OT - Over Time | 03/19/24   | 15.00 | 39.0000 | 585.00              |
| WC   |               | OT - Over Time | 03/26/24   | 27.00 | 39.0000 | 1,053.00            |
| WC   |               | OT - Over Time | 06/25/24   | 7.00  | 39.0000 | 273.00              |
|  |               |                |            |       |         | 5,928.00            |
|  |               |                |            |       |         | 1,976.30            |

## Answer Yes for Individual Reports



## Individual Reports:

| 2/2:            | ◀◀            | ◀        | ▶                   | ▶▶ | 100% | ▼ | 🖨️ | TOWN VERMONT Payroll      |
|-----------------|---------------|----------|---------------------|----|------|---|----|---------------------------|
| 4.0             |               |          |                     |    |      |   |    | Qualified Overtime Report |
| For Year 2024   |               |          |                     |    |      |   |    |                           |
| Employee        |               |          |                     |    |      |   |    |                           |
| Employee Number | Employee Name | Amount   | Qualified OT Amount |    |      |   |    |                           |
| LL              |               | 6,957.59 | 2,319.20            |    |      |   |    |                           |

# What about 2026?

- W2 Reporting for 2026: As of right now, the qualified overtime will have to be reported in Box 12 Code TT
- Paytype Maintenance: Each paytype that you use for posting overtime will have to be updated with the new Box 12 Code TT for tracking later.
- As of right now, this is for tracking only, we are not accumulating that total during calculation. We think we will still use the custom report and add a feature to “stuff” the total into that field, or you will have to manually update from the reports.

Employee # LL Find Add Last Name SMITH First Name JOHN MI Ext

Active • Inactive • Terminated

Personal W4 W2 Taxes Paytypes Deductions Accounts History Leave Notes & Misc TimeCard ACA

Paytype OT Description OVERTIME Tables Add Remove

Withhold taxes  Federal  State  FICA  MEDI  
Report wages  Federal  State  FICA  MEDI  SUTA

Include in base of fringes 123456789ABCDEFGHJKLMNPQRSTUVWXYZ Fill with All

Include in base of deductions 123456789ABCDEFGHIJKLMNPQRSUVWXYZ Fill with All

Auto Post for 0 payrolls (0 for all) W-2 Box 12 code TT

Pay period to take paytype? (blank for all)

Amount 0.0000  Include in FTD contract Per Diem Units 0.00 YTD Max (0=none) 0.00

W Comp Code

Expense Account » 1-7-52-10.02 Find WINTER LABOR

FICA Expense » 1-7-25-11.00 Find SOCIAL SECURITY TAXES

MEDI Expense » 1-7-25-11.00 Find SOCIAL SECURITY TAXES

Amounts to Encumber PAY FICA MEDI

MTD QTD YTD FTD LTD

Back to List of Paytypes Print Screen 0.00 0.00 0.00 0.00 6957.59

Save and Close Employee Cancel Delete Change EE Number

FLSA Overtime: paying overtime to non-exempt employees, they will be paid **at least 1.5 times their regular rate for all hours worked over 40 in a workweek**, defining "**hours worked**" as all time on duty, on premises, or otherwise permitted to work, with the "regular rate" including hourly pay plus bonuses, shift differentials

Example: Town pays overtime for anything over 40 hours even if the person had leave time during the week, like a holiday or vacation day. The timecard below shows an employee that will be getting paid 12 hours of overtime, per their own policy. But according to IRS regulation, the hours that can be considered for the purpose of calculating qualified overtime, will only be 4.

"Hours worked" was a total of 44, so the 4 will be posted as qualified and the 8 as nonqualified.

| Day         | Date       | Regular Hours | Overtime Hours | Holiday | Vacation | Total |
|-------------|------------|---------------|----------------|---------|----------|-------|
| Monday      | 12/22/2025 | 8.00          |                |         |          | 8.00  |
| Tuesday     | 12/23/2025 | 8.00          | 4.00           |         |          | 12.00 |
| Wednesday   | 12/24/2025 | 8.00          | 4.00           |         |          | 12.00 |
| Thursday    | 12/25/2025 |               |                | 8.00    |          | 8.00  |
| Friday      | 12/26/2025 | 8.00          | 4.00           |         |          | 12.00 |
| Total hours |            | 32.00         | 12.00          | 8.00    |          | 52.00 |

# Posting a payroll with Both Qualified OT Hours and Non Qualified OT Hours

**NOTE:** This does not mean that the hours and pay will be excluded from the tax calculation. Remember, the employee is still taxed at the time they are paid. They are only able to take a tax deduction on their income tax return when they file. That is why they need to know how much of their Overtime pay qualified for this deduction.

- While posting, you will be able to exclude hours as nonqualified (exclude from Qualified OT), on any paytype that is set up with Box 12 Code TT
- When the PRCUS128 is run at the end of the year, it will exclude any of the hours you marked to exclude.
- Let's go into the software and I will demonstrate for you.

| Type/Desc (Yellow=Auto)    | Earn Cty/Hrs | Rate     | Amount  | Excl Qual OT | Description                   | Pay |
|----------------------------|--------------|----------|---------|--------------|-------------------------------|-----|
| H1 REG SUMM:32.00 Hrs      | 32.00        | 33.5300  | 1072.96 |              | Find SUMMER WAGES             |     |
| OT OVERTIME:4.00 Hrs       | 4.00         | 50.2950  | 201.18  |              | Find WINTER LABOR             |     |
| OT OVERTIME:8.00 Hrs       | 8.00         | 50.2950  | 402.36  | X            | Find WINTER LABOR             |     |
| F1 RETIREME                | 0.00         | 7.0000   | 0.00    |              | Find RETIREMENT BENEFIT       |     |
| D1 RETIREMENT:Gross,Pd     | 0.00         | 6.3750   | 0.00    |              | Find VMERS                    |     |
| D3 AFLAC:Gross,Pd          | 0.00         | 30.3900  | 30.39   |              | Find AFLAC DEDUCTION          |     |
| D4 VSP:Gross,Pd            | 0.00         | 4.2900   | 4.29    |              | Find EYE-MED                  |     |
| DD Direct Deposit:Gross,Pd | 0.00         | 600.0000 | 600.00  |              | Find CHECKING 401-006183-1 CC |     |
| DE ACH SAVINGS:Nt-Dd,Pd    | 0.00         | 100.0000 | 0.00    |              | Find CHECKING 401-006183-1 CC |     |

Total Hours: 44.00  
Total Amount: 1676.50

Payroll Ending Date: 12/29/2025

Add Change Delete Void  
Save Cancel Open Employee in Maintenance Save and Calculate