



UNIFIED FIRE AUTHORITY

MEMORANDUM

25-122

July 18, 2025

TO: All Personnel

FROM: Chief Financial Officer Hill

SUBJECT: No Taxes on Overtime

Listed below are some highlights regarding the new One Big Beautiful Bill Act:

Allows eligible individuals to deduct a portion of their qualified overtime pay from their federal taxable income, up to \$12,500 each year. This limit is doubled to \$25,000 for married couples filing jointly

Deduction is "above-the-line," which means it will reduce your adjusted gross income

Provision is in effect for the 2025 tax year and is currently only for a limited time (tax years 2025 through 2028)

Your paycheck won't immediately reflect the "no tax on overtime" change, as employers will continue to withhold federal income taxes as usual and the reporting of all employee compensation including overtime wages

Our payroll system already tracks overtime wages for purposes other than taxes. Overtime wages will now need to be identified on Form W-2. Finance staff is working with UKG to make sure 2025 W-2s will be compliant.

The provision addresses only the federal income tax treatment of overtime; there is no change to state and local income taxation as a result of this legislation

This is a tax deduction, not a complete elimination of taxes on overtime. Payroll taxes for Social Security and Medicare still apply.

Employees may want to contact their tax professional to determine how/if this provision impacts their tax withholdings