



UNIFIED FIRE AUTHORITY

MEMORANDUM

26-005

January 15, 2026

TO: All Personnel

FROM: Chief Financial Officer Hill

SUBJECT: No Tax on Overtime – Follow-up for 2025

This is a follow-up to memo 25-122 issued July 18, 2025, discussing the recently adopted no federal income tax on overtime deduction.

In the initial memo, I discussed the possibility of UFA identifying the qualified overtime compensation on each employee's Form W-2 that may be eligible for the no tax on overtime deduction. Since the issuance of that memo, IRS regulations related to the deduction have been updated.

Due to the late issuance of guidance, on November 5, 2025, the IRS granted relief to employers from providing employees with a statement accounting for qualified overtime compensation for 2025 for the purpose of the deduction.

In further guidance published on November 21, 2025, the IRS outlined several ways that employees can calculate their qualified overtime eligible to be deducted for tax year 2025. The guidance can be found here: <https://www.irs.gov/pub/irs-drop/n-25-69.pdf>

So, what does this mean? If you worked IRS qualified overtime in 2025, you may be eligible to take the no tax on overtime deduction. However, UFA will not be providing you with a calculation of the deductible amount. If you choose to take the deduction, you can, using your Form W-2 and your last 2025 pay stub, employ one of the options identified in the IRS guidance to calculate your deduction. As always, I would suggest you consult a qualified tax professional.

Note: You cannot just use the OT premium amount on your Form W-2 because of UFA policy that pays overtime premium at higher levels than mandated by FLSA.

We will continue to monitor this for 2026 as guidance comes from the IRS.