

No Tax on Overtime Expansion

- As part of the One Big Beautiful Bill Act (P.L. 119-21), up to \$25,000 a year of premium pay earned through working overtime will be exempted from federal income taxes. However, **several million hourly workers are not currently eligible for this tax benefit.**
- Qualifying overtime compensation under the tax code is defined by the Fair Labor Standards Act of 1938 (FLSA). This definition, enacted nearly 90 years ago, exempts **airline, motorcoach, railroad, trucking, maritime, delivery workers, and others from federal overtime rules.**
- Additionally, FLSA sets an arbitrarily high minimum number of hours for some workers to qualify for federal overtime. For instance, **fire fighters, law enforcement, and emergency service workers do not qualify for federal overtime until as many as 53 hours a week.**
- **The No Tax on Overtime benefit is worth up to \$6,000 per year for working families.** This is a major change to the philosophy of our tax code to reward individuals for their economic output.
- The bipartisan *No Tax on Overtime for All Workers Act* (H.R. 5475), led by Representatives Nicole Malliotakis (R-NY) and Emilia Sykes (D-OH), would expand the definition of overtime used in the tax code to allow hourly workers across the entire economy to access this benefit in the same manner.
- **We urge you to cosponsor the No Tax on Overtime for All Workers Act.** You can join this legislation by reaching out to Kevin.Rodgers@mail.house.gov (Rep. Malliotakis) or Owen.Beal@msil.house.gov (Rep. Sykes).

H.R. 5475 – No Tax on Overtime for All Workers Act

SECTION 1. SHORT TITLE.

This Act may be cited as the “No Tax on Overtime for All Workers Act”.

SEC. 2. DEDUCTION FOR CERTAIN OVERTIME COMPENSATION.

(a) IN GENERAL.—Section 225(c)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified overtime compensation’ means—

“(A) any overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate (as used in such section) at which such individual is employed, or

“(B) any compensation paid to an individual that is in excess of the regular rate at which such individual is employed if—

“(i) such compensation is paid for work for a single employer pursuant to an agreement between the employee (or labor organization representing such employee) and employer entered into before the performance of the work, and

“(ii) either—

“(I) such work is in excess of a standard number of hours of such work for a specified period of time, and such agreement specifies that such standard number of hours for a specified period of time is not less than 40 hours for a 7-day work period, or

“(II) if the employee (including any crewmember or flight crewmember, or rail operating craft employee) and employer referred to in clause (i) are both covered by the Railway Labor Act, such work is beyond scheduled or anticipated hours on duty or for hours on duty that exceed a maximum number of hours with respect to a specified period of time (as determined pursuant to such agreement).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2024.