OBBB – FLSA OT Premium Component

FREQUENTLY ASKED QUESTIONS

NYC FISA Payroll

OBBB – FLSA OT Premium Component

Frequently Asked Questions

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Disclaimer: The following is not considered tax advice.

1. What is "No Tax on Overtime (OT)"?

SEC. 70202. NO TAX ON OVERTIME

- Effective 2025 through 2028, individuals who receive qualified Fair Labor Standards Act (FLSA) overtime pay may deduct from their federal tax return the pay that exceeds their regular rate of pay (i.e., the "half" portion of "time-and-a-half" compensation). The "half" portion is referred to as the premium component.

2. What is the Fair Labor Standards Act (FLSA)?

- The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments.

3. Which employees are eligible for "No Tax on Overtime"?

- Employees in FLSA covered titles are eligible.

4. How can employees determine if they are in a FLSA covered title?

- Employees who are unclear of the FLSA classification for their title should contact their Agency Payroll/Timekeeping Department.

5. Are there any limits to the deduction?

- Yes. There are currently limits to the maximum annual deduction. In 2025, the maximum annual deduction is $12,500 ($25,000 for joint filers). Refer to Form 1040 (Schedule 1-A)

6. Does the deduction phase out at a certain income level?

- Yes. In 2025, the deduction phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers). Refer to Form 1040 (Schedule 1-A)

7. Does this deduction apply to any other tax returns?

- No. It only applies to federal income tax return. It does not apply to State and Local income tax returns. It does not apply to FICA (Social Security & Medicare), State, City, Yonkers, etc.

8. Is FLSA Comp Time used deductible on the federal income tax return?

- Yes, the premium component of FLSA Comp Time used is deductible on the federal income tax return. Refer to IRS Notice 2025-69.
- Note: For the purpose of these FAQ's the Total FLSA Premium Component is the sum of the premium components of FLSA Comp Time Used and FLSA Overtime Paid.

9. Where can employees obtain the Total FLSA Premium Component amount to use as a deduction when filing their federal income tax return?

- NYCAPS Employee Self Service (ESS) will display the Total FLSA Premium Component amount for this Tax Year – which is a total of the FLSA Comp Time used and FLSA Overtime paid. Within the "Pay & Tax Information" tile in ESS, employees navigate to Pay Tax Information -> FLSA OT Inquiry screen. On this screen, employees can select the Tax Year for reporting. The amount to use for reporting is at the top of the screen and is labelled Total *FLSA Premium Component*.
- Note: NYCAPS Employee Self Service (ESS) provides both the FLSA OT paid to the employee and the value of FLSA Comp Time used by the employee during the reporting period.
    - The *FLSA OT Premium Component* represents the "and a half" (.5x) portion of the FLSA OT "time and a half" (1.5x) paid to the employee.
    - The *FLSA Comp Time Used Premium Component* represents the value of the "and a half" (.5x) portion of the "time and a half" (1.5x) previously earned by the employee and used.
    - The ***Total FLSA Premium Component*** is sum of the two amounts above and is the amount to use as a deduction when filing their federal income tax return.
- Employees should contact their Agency Payroll/Timekeeping Department, if they have any questions about the Total FLSA Premium Component amount.

10. If an employee does not have access to ESS, how can they obtain the Total FLSA Premium Component amount?

- Employees should contact their Agency Payroll/Timekeeping Department where they received the qualifying FLSA overtime. Their Agency Payroll/Timekeeping Department will have the resources available to retrieve this amount for the employee. See FAQ question 12 for further details.

11. Where can an employee obtain the pay details of the FLSA OT Premium Component amount?

- In NYCAPS Employee Self Service (ESS), within the "Pay & Tax Information" tile in ESS, employees navigate to Pay Tax Information -> FLSA OT Inquiry screen. On the FLSA OT Inquiry screen, an employee can see the individual pay details (by earned date and pay date) and the types of qualifying FLSA overtime pay used in the calculation of the FLSA OT Premium Component amount. Note: details are not available for FLSA Comp Time used. Contact your Agency Payroll/Timekeeping Department if you have specific questions.

12. What resources are available to Agency Payroll/Timekeeping Departments to support employees inquiries?

- Estubs: The FLSA OT Inquiry is available to authorized Estubs personnel. The inquiry provides:
    - The FLSA Overtime Premium Component represents the "and a half" (.5x) portion of the FLSA OT "time and a half" (1.5x) paid to the employee.
    - The individual pay details (by earned date and pay date) and the types of qualifying FLSA overtime pay used in the calculation of the Total FLSA OT Premium Component amount.

- The FLSA Comp Time Used - Premium Component represents the value of the "and a half" (.5x) portion of the "time and a half" (1.5x) previously earned by the employee and used.
- The **Total FLSA Overtime Premium Component** - which is sum of the two amounts above and is the amount to use as a deduction when filing their federal income tax return.

- CHRMS: There are 2 CHRMS reports available to authorized users:
  - The PY22 – FLSA OT – Premium Component Summary report is available to authorized CHRMS personnel to see the premium component amount for any FLSA OT paid to their employees in the tax year. The Amount is what was paid to the employee (and is what the employee would see embedded within the Overtime summary on their pay stub). The FLSA OT Premium Component column represents the "and a half" portion of the qualifying FLSA OT pay.
  - The PY23 – FLSA Comp Time – Premium Component Summary report is available to authorized CHRMS personnel to obtain a listing of FLSA Comp Time premium component ("and a half") amount for any FLSA Comp Time used and reportable in the tax year.
  - Note: Similar to Estubs (and ESS for the employee), both the premium component of FLSA overtime and FLSA Comp Time used are required by the employee – as the sum of both amounts can be used for the new federal tax deduction.

13. Are there any changes to the Form W-2 to report Total FLSA Premium Component amount?

- For Tax Year 2025, there are no changes to the Form W-2.
- For Tax Year 2026 - 2028, the Total FLSA Premium Component amount will be reported in box 12 with code "TT" on Form W2.

14. Are there any changes to how federal withholding taxes are calculated on an employee paycheck due to the FLSA OT or Comp Time Premium Component amounts?

- No, the payroll system will continue to calculate all federal, social security, Medicare, state and local withholding taxes for all amounts paid.

15. An employee has worked at 2 different agencies this year and was paid FLSA OT Premium Component amounts at both agencies. How do they get the amounts from both agencies?

- FAQ Question 9 explains how an employee can use ESS to get the FLSA OT Premium Component amount for a job. If the employee received qualifying FLSA overtime payments in 2 different jobs within a calendar year, ESS will list both jobs within the FLSA OT Inquiry. The total FLSA OT Premium Component amount is provided separately for each job.
- If an employee does not have access to ESS, they should make a request to each of their respective Agency Payroll/Timekeeping Department(s) – who can utilize either CHRMS report or ESS-Estubs. The resources available to the Agency Payroll/Timekeeping Departments are described in FAQ Question 10.

16. An employee accrued FLSA Comp Time at one agency and used it at another agency. How do they get the amounts used?

- The employee should use ESS and navigate to the specific job (or jobs) where the FLSA Comp Time was used. See FAQ Question 9.

17. An employee used FLSA Comp Time at two different agencies. How do they get the amounts from both agencies?

- An employee should use ESS and navigate to the specific job (or jobs) where the FLSA Comp Time was used to obtain the value of the FLSA Comp Time - Premium Component. If the employee used FLSA Comp Time in 2 different jobs within a calendar year, ESS will list both jobs within the FLSA OT Inquiry. The Total FLSA Comp Time - Premium Component amount is provided separately for each job.
- If an employee does not have access to ESS, they should make a request to each of their respective Agency Payroll/Timekeeping Department(s) – who can utilize either a CHRMS report or Estubs. The resources available to the Agency Payroll/Timekeeping Departments are described in FAQ Question 12.

18. For Tax Year 2025 - where can a CUNY employee obtain the FLSA OT Premium Component amount for the year? Additional guidance will be provided for TY 2026 – 2028.

- CUNY employees should refer to communication from their campus Human Resources to obtain the FLSA OT premium component for tax year 2025. While overtime pay is processed in PMS, it is not recorded as FLSA and will not be included for FLSA reporting within ESS, CHRMS and Estubs

19. Where can a Department of Education (DOE) employee obtain the FLSA OT Premium Component amount for the year?

- DOE employees should refer to DOE Payroll Portal/Register:
- HTTPS://PAYROLLPORTAL.NYCBOE.NET- enter credentials and then Menu selections:
- Employee Self-Service --> Payroll Register --> FLSA Premium OT

20. Where can a New York City Housing Authority (NYCHA) employee obtain the FLSA OT Premium Component amount for the year?

- NYCHA payroll will provide a letter with the FLSA OT Premium Component amount for employees who have qualified FLSA OT paid.
- NYCHA employees should refer to the NYCHA payroll letter for guidance.
- NYCHA will be mailing the letter with the FLSA Overtime Premium amount toward the end of January 2026.

21. If an employee worked (earned) FLSA OT Premium Component amounts in the calendar year 2025, but was paid for that time in 2026, can the pay be used as a deduction on my 2025 federal tax filing?

- No. Withholding taxes are based on the pay date when the payment is made. The FLSA OT Premium Component amounts earned in calendar year 2025, but paid in a 2026 pay date, will be reported for tax year 2026.

22. Why would the new CHRMS PY22 report and FLSA OT Inquiry (ESS-EStubs) show a negative amount for a specific earned date in the details section?

- Check refunds, or retroactive changes may result in adjustments (decreases) to previously paid FLSA overtime which are displayed as negative amounts. Employees should contact their Agency Payroll/Timekeeping Department, when they have any questions about the details provided in CHRMS PY22 report and ESS-Estubs.

23. Why does the FLSA Comp Time - Premium Component total equal $0.00 even though FLSA Comp Time was used during the year?

- In some limited situations (e.g., Workers Compensation cases, retroactive title changes, etc.), FLSA Comp Time Used may be adjusted. The employee should contact their Agency Payroll/Timekeeping Departments.

24. Why does the FLSA Comp Time - Premium Component say "Not Available" on the ESS FLSA OT Inquiry?

- The FLSA Comp Time - Premium Component is calculated at the end of the year during the production of employee W-2's. While 2025 amounts will be available for employees in January of 2026, employees who select (tax year) 2026 in the new FLSA OT Inquiry will note that the FLSA Comp Time - Premium Component states "Not Available" since the amount will not be calculated until the end of 2026.

25. Where can I find more information on the new the federal tax deductions for tax year 2025 reporting?

- Form 1040
  https://www.irs.gov/pub/irs-dft/f1040--dft.pdf
- Form 1040 Instructions
  https://www.irs.gov/pub/irs-dft/i1040gi--dft.pdf
- DRAFT Form 1040 (Schedule 1-A) - Additional Deductions
  https://www.irs.gov/pub/irs-dft/f1040s1a--dft.pdf
- DRAFT Form 1040 (Schedule 1-A) - Additional Deductions – Instructions
  https://www.irs.gov/pub/irs-dft/i1040gi--dft.pdf
- IRS Notice 2025-69
  https://www.irs.gov/pub/irs-drop/n-25-69.pdf