



Division of Finance

OBBBA - No Tax on Overtime Information

Beginning with Pay Period 01

12/18/2025 – 12/31/2025 and 12/22/2025 – 1/4/2026

Employees must utilize new qualifying and non-qualifying overtime and premium event codes on timesheets

The Division of Finance would like to inform Fair Labor Standards Act (FLSA) overtime-eligible employees of changes to tax law under the One Big Beautiful Bill Act (OBBBA). Eligible employees with qualified overtime compensation can deduct up to \$12,500 per individual (or \$25,000 for joint filers) from their federal income tax.

Only those hours that are required to be paid as overtime by the FLSA can qualify for a possible income tax deduction which for most non-exempt employees is all hours worked over 40 in a workweek. Because Personnel Rules or Collective Bargaining Agreements have provisions that can often result in overtime pay under more generous circumstances than FLSA requirements, new timesheet events have been created that will distinguish which overtime and premium pay hours are qualifying based on FLSA overtime laws.

Beginning with Pay Period 01 (12/18/2025 – 12/31/2025 and 12/22/2025 – 1/4/2026), employees must utilize new qualifying and non-qualifying overtime and premium event codes on their timesheets. These new event codes are being implemented to ensure accurate tracking of overtime, which is required for reporting on Form W-2 for tax years 2026 through 2028 in support of the One Big Beautiful Bill Act (OBBBA) on Overtime.

WHO IS AFFECTED?

Employees covered by FLSA Section 207 regarding Overtime pay.

EXCEPTIONS:

- AMHS is 100% exempt from FLSA OT rules.
- ACOA and PSEA (AA/AP) are covered but have unique rules.
- All other bargaining units have at least some employees covered by regular FLSA OT rules. Many have exemptions based on specific positions (OT Ineligible Positions).

WHAT NEEDS TO HAPPEN:

- Employers will report dollar amounts of Qualified Overtime wages under a new box 12 code on W-2's.
- Employees will use these amounts for claiming income deductions on their annual tax returns.
- Qualified Overtime is defined as only overtime required by the FLSA Overtime rules.
 - For most covered employees this is only hours worked after 40 in a 7 day workweek.
 - The FLSA portion of OT is only the 0.5 portion of the 1.5 pay earned for hours of OT.

NON-QUALIFIED OVERTIME

WHAT IS NON-QUALIFIED OVERTIME?

- Hours paid as OT when the employee has not exceeded the FLSA-required hours of time worked.
- Amounts of pay for OT that is paid at a rate higher than the FLSA-required rate of OT pay.

WHAT ARE THE MAIN SOURCES OF SOA NON-QUALIFIED OVERTIME?

HOURS

- GGU Overtime from 37.5 to 40 hours in a week granted by CBA.
- ACOA Overtime from 84-86 hours in a 14 day period granted by CBA.
- PSEA Overtime from 40-43 hours per 7 day period granted by CBA.
- PSEA Overtime from 168-216 hours per 28 day period on 28 day schedules.
- Daily Overtime granted by CBA/LOA.
- RDO Overtime granted by CBA/LOA.
- Holiday Overtime granted by CBA/LOA.
- Recall Overtime granted by CBA/LOA.

AMOUNTS

- Double Overtime granted by CBA/LOA.

Resources:

Division of Finance Website

doa.alaska.gov/dof/

Employee Call Center

907-465-3009

doa.alaska.gov/dop/EPIC/employeeCallCenter

EmployeeCallCenter@alaska.gov

Collective Bargaining Contracts

law.alaska.gov/department/civil/LSA/CBA.html

OBBBA Bill

congress.gov/bill/119th-congress/house-bill/1/text

Fair Labor Standards Act (FLSA)

dol.gov/sites/dolgov/files/WHD/legacy/files/

[FairLaborStandAct.pdf](#)

Internal Revenue Service (IRS) Information

irs.gov/newsroom/one-big-beautiful-bill-provisions

Please review your Collective Bargaining Agreement, or contact your union representative if you have questions regarding your eligibility.