

One Big Beautiful Bill (OBBB) Overtime / Tip Reporting for 2025

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The One Big Beautiful Bill (“OBBB”) introduced two “no tax on” provisions that impact both employers and employees starting in 2025.

“No Tax on Overtime”

Taxpayers can deduct up to \$12,500 (\$25,000 married filing jointly) of “qualified overtime compensation.” These deductions begin to phase out when modified adjusted gross income exceeds \$150,000 (\$300,000 for joint filers).

“No Tax on Tips”

Taxpayers in qualifying tipped occupations can deduct up to \$12,500 (\$25,000 married filing jointly) of “qualified tips” per year. This deduction also phases out when modified adjusted gross income exceeds \$150,000 (\$300,000 married filing jointly).

What does this mean for Payroll?

- Overtime and tips are still taxed when payroll is processed
- When the employees file their personal income taxes they can claim the appropriate deductions to receive a potential tax credit
- When entering payroll, Tips and Overtime must be paid using the correct earning codes

These “no tax” provisions are in effect for the 2025 – 2028 tax years

- 2025 is considered a transition year
- We’ve created a report that will serve as an earning statement to display the 2025 Year to Date Overtime and Tips
- 2026 The overtime and tips will be reported on the W2

Adding the Report in Payroll Forward

- Login to Payroll Forward
- Click into Reports
- Click Add Standard Report
- The report is labeled “BBB Tips and OT Letter”
- The report will include all earnings with the earning types “OT, Cash Tips, Charge Tips”
- If you need to override which earning codes to display on the letter, you can control this in the “additional formulas” tab
- You can find the list of earning codes and earning types in Company > Earnings

Moving Forward

Get ready for 2026!

- Do you have the necessary earning codes?
- Contact customer service if you need additional Overtime or Tip earning codes added
- Verify the appropriate W2 fields are linked
(Customer service links the W2 field)
 - Tips – box 12TP
 - Overtime – box 12TT