

FEDERAL “NO TAX ON OVERTIME” CLARIFICATION (LOCAL 4)

Effective for Tax Years 2025–2028

POLICY NOTICE – PLEASE READ:

Effective for tax years 2025–2028, members may take a federal income-tax deduction on the overtime *premium portion* of wages earned for hours worked in excess of 40 hours in a workweek. Contractual premium wages — including overnight pay, turnaround violations, daily overtime (hours worked over 8 in a single day), shift premiums, holiday pay, sixth- or seventh-day premiums, Sunday pay or penalty payments — although paid at “overtime” rates under Local 4 Collective Bargaining Agreements, do not qualify as deductible overtime under federal law. Only the *extra half-time* portion of federally defined overtime under the Fair Labor Standards Act (the portion above straight time) is potentially deductible.

Important note: The State of New York will continue to tax overtime pay and tips on state income tax returns because New York has not conformed to this federal change and has not adopted a deduction for these wages at the state level. Therefore, even if you claim the federal overtime deduction, your New York State tax return will still include all overtime and tip income for state tax purposes.

Purpose of This Notice

To ensure all members understand the difference between contract overtime and federal overtime, and how the new federal deduction applies — to avoid confusion, misinformation, or incorrect expectations at tax time.

What Counts for the Deduction (Federal Definition)

Eligible:

- The overtime premium (extra ½-time portion) associated with hours worked over 40 hours in a workweek

Example:

- Straight time rate: \$50/hr.
- OT rate under CBA: \$75/hr.

- Eligible amount = the extra \$25/hr. (the ½-time premium) × number of hours above 40 worked

What Does NOT Count

Even though Local 4 contracts pay these categories at overtime or enhanced rates, the federal deduction does **NOT** apply to:

<u>Category</u>	<u>Example in Local 4 Work</u>
Overnight Premium Pay	Load-out after midnight
Turnaround Violations	Less than 8 hours between calls → penalty pay
Daily Overtime (8+ hrs. in a day)	One-day 12-hour call
6th or 7th Day Premiums	Festivals / weeklong residency
Holiday Pay	Paid at 2× under contract
Travel Time / Portal-to-Portal	Paid time spent moving between sites
Differential / Location Bumps	Stadium / arena / festival uplift

These items remain taxable as normal wages.

Closing Note for Members

This memo is intended to prevent misunderstandings as federal deduction becomes widely discussed. Local 4 contracts are generous and protective — however, the IRS only recognizes federal overtime definitions, not union-negotiated premiums.

Members should consult a tax professional for personal filing guidance.