

County of Henrico FAQs for Federal Income Tax Deductions for Qualified Overtime

For purposes of calculating federal income tax deductions for qualified overtime compensation in the 2025 tax year, Henrico County is providing County and HCPS employees access to information in Oracle HRMS displaying each applicable FLSA period or by paycheck by date, including the amount of overtime paid during each pay period.

Employees are encouraged to direct any tax preparation and filing questions to a professional tax preparer or the Internal Revenue Service (IRS). The County offers the following information for reference purposes only. This information is not intended as tax advice for individual taxpayers. **Individual taxpayers are responsible for determining overtime income that qualifies for federal income tax deduction.**

Overview – Federal Income Tax Deductions for Qualified Overtime Compensation (“OT”):

On July 4, 2025, new federal income tax deductions were added by Public Law 119-21, 139 State 72, commonly known as the One, Big, Beautiful Bill Act (OBBBA). The deduction applicable to qualified overtime compensation is:

- Capped at \$12,500 (\$25,000 in case of joint return) in any taxable year
- Limited to overtime compensation required by the federal Fair Labor Standards Act (FLSA) and does not apply to overtime compensation required by state law or other forms of premium payments made according to County policy
- Applicable to only that portion of compensation in excess of the employee’s regular rate (in other words, only the .5 of the 1.5 overtime is deductible).
- Limited in amount based on a taxpayer’s modified adjusted gross income (MAGI) and phased out for taxpayers with MAGI over \$150,000
- For County and HCPS employees in the 2025 tax year, the County is providing access to a page in Oracle HRMS that will show pay detail by pay period and FLSA period. An employee can access this page by logging into Oracle > Employee Direct Access > Salary Related > **FLSA Overtime Dashboard**

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Frequently Asked Questions:

General FAQ

1. What does FLSA mean?

The Fair Labor Standards Act is a federal law that establishes minimum wage and overtime pay standards affecting County and HCPS employees.

2. What does “qualified overtime compensation” mean?

As used in the OBBBA, qualified overtime compensation refers only to overtime required under the federal overtime provisions contained in the FLSA. Under FLSA, non-exempt employees must receive overtime pay for **hours actually worked** over 40 in a workweek at a rate of not less than time and one-half their regular rate of pay. For County sworn fire protection employees, the FLSA requires overtime to be paid after the fire suppression employee actually works more than 159 hours in a 21-day work period. For County sworn law-enforcement employees, the FLSA requires overtime to be paid after the law-enforcement employee actually works more than 171 hours in a 28-day work period.

3. Do ALL my “overtime” hours qualify for the OBBBA tax deduction?

No, only those hours required to be paid as overtime under FLSA qualify.

4. My paycheck shows overtime calculated at 1.5 times my regular rate of pay. Are all the overtime earnings eligible for the tax deduction?

No, only the .5 portion of overtime pay for hours required to be paid as overtime under FLSA is eligible for the tax deduction under the OBBBA legislation.

5. Can I use my last pay stub to calculate my 2025 overtime eligible for the OBBBA tax deduction?

Per IRS guidelines, the last pay stub should be maintained with your 2025 tax records. By policy, Henrico County offers premium pay in excess of FLSA minimum requirements. This may cause the total overtime reported on an employee’s last paystub to be greater than the amount eligible to be claimed as a tax deduction.

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6. Is 'Compensatory Time Earned' eligible for the OBBBA tax deduction?

No, 'Compensatory Time Earned' is not required overtime under the FLSA. Additionally, 'Compensatory Time Earned' is available to be earned only by employees exempt from the FLSA's overtime requirements.

7. For the 2026 tax year, will the overtime eligible for the OBBBA tax deduction be shown on my W-2?

For tax year 2026, the IRS has said it will update the W-2 and reflect the overtime eligible for the OBBBA tax deduction in a specific box.

8. Are my tax withholdings changing on my paycheck?

No. Paycheck tax withholding will remain the same. An employee is eligible to update Federal tax withholdings via the Deductions worksheet. An employee can access their Federal or State W-4 through EDA > Salary Related > Federal & State Tax Forms * add link to new W-4 form

FLSA Overtime Dashboard

1. What is the purpose of the 'Switch to Paycheck View' versus 'Switch to FLSA View'?

The **FLSA View** displays each FLSA "period of time" used to determine eligible and ineligible overtime. For FLSA purposes, a 7-, 21-, or 28-day period is used.

The **Paycheck View** displays each paycheck issued to the employee, which may be biweekly or semi-monthly.

2. Within my personal information, what do the different overtime totals mean?

- **Total Overtime** – This is the total of all overtime elements paid in Oracle
- **Total Applicable OBBBA OT For Year** – This is the total overtime amount, calculating the .5 of the 1.5 factor (1/3 amount). NOTE – some overtime codes in Oracle pay at 100% and therefore this amount may not match the calculated amount above (Example – Fire Z time).

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- **Total FLSA Ineligible OT For Year** – This is the total amount of overtime paid that does not qualify for the OBBBA deduction because the FLSA does not require payment of overtime for these hours.
- **Total FLSA Eligible OBBBA OT For Year** – This is the amount that is eligible for the OBBBA deduction because the FLSA requires the employee to be paid at the overtime rate for these hours .

3. A bar graph is shown in the middle of the page. How do I read this information?

The bar graph indicates the type of time earned during the selected period, (based on either the **FLSA View** or **Paycheck View**) and is color-coded by time type. The period you selected is highlighted in **red** directly below the graph, and the corresponding details are displayed beneath the graph.

4. When you are in FLSA Period View and select a FLSA period on the bar graph at the bottom of the page the system shows three selections. What does this mean?

FLSA Period Details

This shows a day-by-day breakdown of the selected FLSA Period. You can see:

- Dates in the FLSA Period
- Hours worked for each day
- Types of earnings used (regular, overtime, leave, etc)

FLSA Period Summary

This shows a high-level total for the selected FLSA Period. You can see:

- Types of hours worked within the applicable FLSA Period
- FLSA Period
- Total earnings/hours worked
- Total overtime applicable and eligible hours

FLSA Period Leave

This shows leave time taken during the selected FLSA Period. You can see:

- Types of leave used (annual, sick, wellness, etc.)
- Amount of leave taken
- Total leave hours
- Date leave was taken

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5. **When you are in Paycheck View and select a Pay period on the bar graph at the bottom of the page the system shows three selections. What does this mean?**

Paycheck Details

This shows a breakdown of hours paid on your paystub. You can see:

- Hours worked and earnings within the pay period
- Types of earnings used (regular, overtime, leave, etc)

Pay Period Summary

This shows a high-level total for the selected Pay Period. You can see:

- Types of hours worked within the pay period
- Total earnings/hours worked
- Total overtime applicable and eligible hours

Pay Period Leave

This shows leave time taken during the selected Pay Period. You can see:

- Types of leave used (annual, sick, wellness, etc)
- Amount of leave taken
- Total leave hours
- Date leave was taken

6. **Why in FLSA Period Details are OT Straight hours showing in the Overtime display section and classified Ineligible?**

These hours are paid at the regular rate (1.0), not at an overtime rate (1.5). They also count toward regular hours worked before FLSA overtime eligibility is reached.

7. **Why would some of my overtime hours be classified as INELIGIBLE in the FLSA Comments section?**

To qualify for FLSA Overtime, the hours worked must satisfy the FLSA overtime requirements (i.e., hours actually worked over the FLSA threshold for a 7 or 21 or 28-day work period).

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Total overtime hours worked during the period must first offset any leave or ineligible hours before the employee becomes FLSA-eligible.

8. How are Retro Elements calculated?

Retro hours are identified as **GE_Rtro** or **SE_Rtro** in the *Element Name* field within the FLSA Display section (located below the bar graph). Retro hours originate from a prior pay period but are paid in the current period. Both hours and earnings are compensated according to the Date Earned.

Special FAQ's for Sworn Public Safety

1. I'm a sworn public safety employee, how is my overtime calculated for FLSA?

FLSA has special overtime rules, primarily Section 207(k) for sworn fire suppression and law enforcement employees (police, EMTs, rescue) that allows an employee to designate a longer work period (e.g. 21 or 28 days) instead of 40 hours/week for purposes of calculating overtime and sets a higher number of hours worked before the hours must be compensated at an overtime rate. Only those **hours actually worked** over the FLSA requirements are considered FLSA required, and therefore eligible for the OBBBA deductions.

Hours labeled as "overtime" or paid at an overtime rate solely pursuant to state law or County policy may not be eligible for the OBBBA deduction.

2. As a sworn firefighter, will all my "Z time" qualify?

Z time will qualify if the firefighter has actually WORKED all scheduled hours in their 21-day work period.

3. I'm a Police/Sheriff 28-day timecard employee, how are my overtime hours calculated?

Overtime eligible for the OBBBA deduction is based on the hours actually worked greater than 171 in a 28-day period. While the County pays employees at an overtime rate greater than 160 in a 28-day period, the FLSA does not consider such

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hours as 'overtime' until an employee has worked more than 171 in a 28-day period. For purposes of calculating hours eligible for the OBBBA deduction, anything under 171 hours is marked ineligible. Overtime required under state law is not eligible for the OBBBA deduction.

4. **I'm a Police/Sheriff 28-day timecard employee, how do I derive my OT rate for any given period of eligible overtime?**

The total overtime earnings are divided by the total FLSA overtime hours to get the FLSA OT rate.

5. **I'm a Police/Sheriff 28-day timecard employee, how do I derive my OT hours for any given period of eligible overtime?**

Total OT should be reduced by 11 hours and any leave taken during the FLSA period. This number is the total eligible FLSA overtime hours.

6. **Now that I have my FLSA OT hours and FLSA OT rate, how do I calculate my FLSA Eligible OT Total earnings for the period?**

The FLSA OT rate is multiplied by the eligible FLSA OT Hours to get the *Total eligible FLSA OT earnings* for the period. This number can be multiplied by the .3333 and the number calculated becomes the Total .5 of eligible FLSA OT earnings for the period.

7. **I'm a 21-day Fire Fighter, how do I know which hours apply to which FLSA/Pay period.**

From the Fire Division home page, a Fire Fighter can select the **District Training, Special Events, & Drill Facility** link. From there, the **Information / How You Are Paid** link is available on the left side of the page.

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EXAMPLES:

Example 1: A civilian employee works 32 hours, takes 8 hours of annual leave and works an additional 4 hours one day within the same week. The additional 4 hours would NOT qualify as overtime under FLSA because the employee has actually worked only 36 hours and has not actually worked more than 40 hours in the workweek.

Example 2: Sworn law-enforcement employee works 152 hours, takes 8 hours of annual leave, and works an additional shift of overtime in the amount of 4 hours one day within the same 28-day work period. The additional 4 hours would NOT qualify as overtime under FLSA because the employee has worked only 156 hours and has not actually worked more than 171 hours in the work period. Although state law would count the 8 hours of annual leave as hours worked for overtime purposes, the FLSA does not.

Resources:

Any questions can be sent to the following email addresses:

Finance: Fin-Payroll@henrico.gov

Fire: firepayroll@henrico.gov

Police: polfiscal@henrico.gov

Sheriff: hcsso_finance@henrico.gov

HCPS: hcpspayroll@henrico.k12.va.us

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Helpful links:

IRS OBBBA Fact Sheet. <https://www.irs.gov/newsroom/questions-and-answers-about-the-new-deduction-for-qualified-overtime-compensation>

FLSA FAQ:

<https://www.dol.gov/agencies/whd/flsa/faq>

FLSA Hours Worked Fact Sheet

<https://www.dol.gov/agencies/whd/fact-sheets/22-flsa-hours-worked>

W-4 2026

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

OBBBA Fact Sheet for Tax Deductions

<https://www.irs.gov/newsroom/one-big-beautiful-bill-act-tax-deductions-for-working-americans-and-seniors>

News Release for IRS OBBBA Guidance (Nov 21, 2025)

<https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>

Notice 2025-69:

Clarifies for workers how to determine the amount of their deduction without receiving separate accounting from their employer for cash tips or qualified overtime on information returns such as Form W-2 or Form 1099, as those forms remain unchanged for the current tax year. It also provides transition relief to workers who receive tips in the course of a specified service trade or business.

<https://www.irs.gov/pub/irs-drop/n-25-69.pdf>