IMPORTANT TAX UPDATE FOR ALL EMPLOYERS

NEW TIP DEDUCTION AND W-2 REQUIREMENTS:

Employers are required to include a Treasury Tipped Occupation Code (TTOC) on the W-2 if the tips are reported in Box 7 on the W-2.

The TTOCs can be found at *https://home.treasury.gov/system/files/136/Tipped-Occupations-Detailed-8-27-2025.pdf*, or on our website (www.ihandercpa.com).

NEW OVERTIME REPORTING RULES:

Employers are required to report to employees any "qualified overtime" amounts paid so that the employees may take the new deduction on their personal tax returns this year.

What Qualifies:

- The additional overtime premium paid for hours worked over 40 in a week.
- "Qualified Overtime" refers to time worked over 40 hours in a week at "time and a half." The amount of pay that qualifies in the "half" (see below).

How to Calculate (with Examples):

- Employers that have not kept specific track of overtime all year are allowed to use a reasonable estimate (for 2025 only), but to qualify, overtime must be at least time and a half.
- Only the premium applies.
- Example one: "Time and a Half"

    Mary works 50 hours this week and her pay is:

    40 hours at $30 per hour = $1,200
    10 hours overtime at the standard hourly rate of $30 = $300
    10 hours of overtime premium of additional $15 = $150
    Total pay = $1,650

    Qualified overtime (premium amount only) = $150

- Double time counts but only up to the premium rate.
- Example two: "Double Time"

    If Mary gets paid double time ($60 hourly), only the additional $15 is considered "premium" and qualifies:

    Mary works 50 hours this week and her pay is:

    40 hours at $30 per hour = $1,200
    10 hours overtime at the standard hourly rate of $30 = $300
    10 hours of double overtime of additional $30 = $300
    10 hours of premium overtime from the double overtime at time and a half ($15) = $150
    Total pay = $1,800

    Qualified overtime (up to premium amount only) = $150

How to Report:

- The amount may be reported either in Box 14 of the W-2 or by a simple written statement signed by the employer.
- The amount should be provided to the employee no later than January 31, 2026.