



---

To: Signatory Contractors  
From: FCA International CEO  
Subject: **Overtime Communication for Signatory Employees to Hourly Employees**  
Date: August 25, 2025

---

The following communication is designed to help you inform your employees about important changes resulting from the recently passed One Big Beautiful Bill Act (OBBBA). This federal law provides a new tax benefit for certain employees who earn overtime pay beginning with the 2025 tax year. We encourage you to distribute the notice below to your employees so they understand how the change may affect their federal taxable income, what qualifies for the deduction, and where to find additional resources.

**[Employer Name or Letterhead]**

**Date:** [Insert Date]

**Subject: Important Information About the New Federal Overtime Tax Deduction**

Dear Employee,

The federal government recently passed the **One Big Beautiful Bill Act (OBBBA)**, which introduces a new federal tax benefit for eligible employees who earn overtime. This notice explains how the change affects you, what is required, and what the company will do to assist.

### **What's New**

Beginning with the 2025 tax year, you may be eligible to deduct the premium portion of your overtime pay, the additional 50% you earn for hours worked over 40 in a week, from your federal taxable income. **This benefit does not affect how your paycheck is calculated or how federal income taxes are withheld. It applies only when you file your annual tax return.**

### **How It Works**

#### **Example:**

If your regular wage is **\$35/hour** and you work **50 hours** in a single workweek:

- Regular pay: 40 hrs × \$35 = **\$1,400**
- Overtime pay: 10 hrs × \$52.50 = **\$525**
  - Of this \$525:
    - **\$350** is taxed (base pay: 10 × \$35)
    - **\$175** is **not taxed** (premium portion: 10 × \$17.50)

### **What Counts as Overtime**

Under this law, only overtime defined by the **federal Fair Labor Standards Act (FLSA)** qualifies:

- Overtime starts **after 40 hours in a single workweek**.

- If your union contract or state law provides overtime at fewer than 40 hours, those hours **do not qualify** for this federal deduction.
- **This rule is based on federal law, not on your union’s collective bargaining agreement.**

#### **Your Responsibilities**

- Keep copies of your W-2 forms, pay stubs, and any year-end statements showing your overtime earnings.
- Confirm whether your overtime meets the FLSA definition (hours worked over 40 in a workweek).
- Consult a tax preparer if you are unsure whether you qualify or how to claim the deduction.

#### **Our Responsibilities**

- We will **track and report** your qualified overtime compensation accurately.
- We will provide this information on your **W-2** or in a **year-end statement** to assist with your tax filing.
- While we cannot provide individual tax advice, we will ensure that your reporting is correct.

#### **Additional Resources**

For more details, you may visit the IRS resource on this topic:

[IRS Overtime Deduction Guidance](#)

If you have questions about how your overtime is reported, please contact **[Insert Payroll/HR Contact Name]** at **[Contact Information]**.

**Sincerely,**

[Your Name]

[Your Title]

[Company Name]