

Missouri version:

Important Payroll-Related Information for all Districts New No Tax on Overtime Rules

With the signing of the “Big, Beautiful Bill” by President Trump on July 4, 2025, tax implications have changed with overtime pay. Keep in mind these changes are retroactive back to **January 1, 2025**. More details will be forthcoming, but at this time we would like to make you aware of the following:

- Overtime wages should still be taxed as normal
- When filing your tax returns, employees can deduct up to \$12,500 for individual and \$25,000 for married filing jointly
- Qualified overtime pay needs to be reported in a separate box on the employee’s W2. This is still not determined, but potentially in a new Box 12 code or in Box 14
- Still waiting clarification on how double-time will be reported
- The provision does not eliminate the payment of social security or Medicare taxes
- At this moment, this does not eliminate taxes for the state of Missouri withholding

MoASBO urges you to contact your software provider as soon as possible to set up new pay codes as outlined below. In addition, you will need to make the entries for payment with the new pay codes with each payroll transaction with overtime pay.

With this change, it is recommended that you create three new pay codes in your payroll system to track overtime pay. They are as follows:

- Regular, straight hourly rate
- Same rate of pay with the extra “half time” being paid out for time and a half overtime
- Same rate of pay with the additional extra “half time” being paid out for double time overtime

You will still follow the Fair Labor Standards Act (FLSA). FLSA states that overtime is the physical time worked over 40 hours in a defined work week. Please refer to your District’s policy on your definition of when overtime begins. At times, sick, vacation and or holiday pay may count toward hours worked.

When coding overtime that exceeds 40 hours and paid at time and a half, use the following pay codes for each hour worked and paid:

- Hours at regular rate
- Hours at half-time rate

When coding for overtime that is paid at double time, use the following pay codes for each hour worked and paid:

- Hours at regular rate
- Hours at half-time rate (which pays at the additional .5 rate)
- Hours at double time (which pays at the additional .5 rate)