



No Tax on Overtime: Update Your Earning Codes

The One Big Beautiful Bill Act (OBBBA) provision “No Tax on Overtime” requires mandatory changes to Earning Codes in MyFrankCrum (MFC). Please read the message below and take action right away, as failure to select the correct earning codes may affect your employee tax benefit.

Action Required

- **Online Time Entry:** If you submit your time entry online via MFC, you will need to update your time entry template to include any applicable new or additional overtime codes. Please reach out to your Payroll Coordinator for help determining which new earning codes are needed for your OT situations. Examples of new standard OT codes are listed below.

[Click here for instructions on updating your MFC Payroll Template](#)

- **Spreadsheet Time Entry or UKG:** Please reach out to your Payroll Coordinator for assistance.

New Overtime Earning Codes

- I. **Qualified Codes (qualified OT premium):**
 - OT – Regular OT, qualified**
 - OTX – Regular OT, no PTO accruals if accrued on hours, qualified**
 - **What it includes:** Overtime hours that are governed by federal FLSA rules
 - **Tax treatment:** Eligible for the new "No Tax on Overtime" deduction (up to \$12,500 annually for single filers, \$25,000 for married filing jointly)
 - **Example:** The "half" portion of time-and-a-half (or additional premium portion of double-time) required by federal FLSA overtime rule
- II. **Non-Qualified Codes (regular OT base):**
 - OTNQ – Non-qualified OT**
 - OTNQX – Non-qualified OT, no PTO accruals if accrued on hours**
 - **What it includes:** Overtime hours that are not governed by FLSA rules

- **Tax treatment:** Treated as regular taxable wages; NOT eligible for the overtime deduction
- **Examples:**
 - State-mandated overtime (e.g., California daily overtime)
 - Voluntary overtime not required by FLSA
 - Overtime paid to FLSA-exempt employees

If you would like to learn more about the No Tax on Overtime provision or share a resource with your employees, you may download the guides below.

[Download The Employer Guide to No Tax on Overtime](#)

[Download The Employee Guide to No Tax on Overtime](#)