

WELCOME TO

AccountingAidSociety

**Additional Deductions Training
(Federal Schedule 1-A)**

January , 2026

6:00 p.m. to 8:00 p.m.

**We use taxes to build relationships.
And relationships to build futures.**

Meet Your Presenter

- Kathy Holka, Senior Tax Policy Analyst

AGENDA

Welcome and Introductions

Enhanced Deduction for Seniors

No Tax on Qualified Tips

No Tax on Qualified Overtime

No Tax on Qualified Car Loan Interest

Questions



ADDITIONAL DEDUCTIONS

Additional Deductions

The One, Big, Beautiful Bill Act (OBBBA) added four new deductions available for tax years 2025 through 2028:

- **Enhanced Deduction for Seniors**
- **No Tax on Tips**
- **No Tax on Overtime**
- **No Tax on Car Loan Interest**

****Claimed on new *Schedule 1-A, Additional Deductions*****

****Claimed whether itemizing deductions
or using standard deduction****

****Below-the-line deduction – NOT deducted to arrive at AGI****

Additional Deductions and IRS Certification Levels

Additional Deduction	Certification Level Required
Enhanced Deduction for Seniors	Basic Certification
No Tax on Tips	Advanced Certification
No Tax on Overtime	Advanced Certification
No Tax on Car Loan Interest	Advanced Certification

See page 3 of IRS Publication 4491-X, VITA/TCE Training Supplement, for 2025 Returns (Rev. 1-2026).

2025 Form 1040 (page 2)

U.S. Individual Income Tax Return

- The following deductions are subtracted from Adjusted Gross Income (lines 11a and 11b) to arrive at Taxable Income (line 15):
 - Line 12e – Standard deduction or itemized deductions
 - Line 13a – Qualified business income deduction
 - **Line 13b – Additional deductions from Schedule 1-A, line 38**

Form 1040 (2025)

Page **2**

Tax and Credits

11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent		
b	<input type="checkbox"/> Spouse itemizes on a separate return	c	<input type="checkbox"/> You were a dual-status alien
d You:	<input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind		
Spouse:	<input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
e	Standard deduction or itemized deductions (from Schedule A)	12e	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	Add lines 12e, 13a, and 13b	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income	15	
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or Qualifying surviving


Additional Deductions and TaxSlayer

Form Finder

Enter the form number...


i

Basic Information




Federal Section

Income



W-2 Wage Statement

Deductions




Earned Income Credit


Other Taxes

Payments & Estimates

Miscellaneous Forms



Identity Pin



Health Insurance

Deductions

Adjustments

Educator expenses, medical savings accounts, student loan interest, etc.

BEGIN

Additional Deductions

No tax on overtime, No tax on tips, No tax on car loan interest

BEGIN

Standard Deduction

Flat amount based on filing status

BEGIN

Itemized Deductions

Charitable contributions, mortgage interest, property taxes, etc.

BEGIN

Credits

Child and dependent care credit, education credits, mortgage interest credit, etc.

BEGIN

Qualified Business Income Deduction

Deduct qualified income paid by a pass-through business and/or acquired qualified assets

BEGIN

Compare Deductions

Compare your total deduction amounts

BEGIN

To access the Additional Deductions menu in TaxSlayer:

- Go to Federal Section
→ Deductions
→ Additional Deductions

Additional Deductions – MAGI

- The following amounts are **added to AGI** to arrived at modified adjusted gross income (MAGI) for the purpose of the additional deductions:
 - Any income from Puerto Rico that was excluded
 - Foreign earned income exclusion from Form 2555, Foreign Earned Income, line 45
 - Housing deduction from Form 2555, Foreign Earned Income, line 50
 - Excluded income from Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa, line 15
- MAGI is calculated in Part I of Schedule 1-A.

Valid Social Security Number

- Must have a valid Social Security number (SSN) to claim the following deductions:
 - No tax on tips
 - No tax on overtime
 - Enhanced deduction for seniors
- Valid SSN for purposes of these deductions is one
 - That is valid for employment and that is
 - Issued by the Social Security Administration (SSA) before the due date of the return (including extensions).

Valid Social Security Number (cont.)

- If individual was a U.S. citizen when they received their SSN, the SSN is valid for employment.
- If “Not Valid for Employment” is printed on the social security card and immigration status has changed so that the individual is now a U.S. citizen or permanent resident, they should ask the SSA for a new social security card without the legend.
- However, if “Valid for Work Only with DHS Authorization” is printed on the social security card, the SSN is valid only as long as the DHS authorization is valid.



ENHANCED DEDUCTION FOR SENIORS

Enhanced Deduction for Seniors

- **\$6,000 for taxpayer/spouse 65 years or older**
- **Must have valid Social Security number**
- **If married, must file jointly to claim the deduction**
 - Married Filing Separately filers do not qualify
- **Reduced if MAGI is more than:**
 - \$75,000 for Single, Head of household, and Qualifying surviving spouse filers
 - \$150,000 for Married filing jointly filers
- **Claimed in Part V of Schedule 1-A**

Enhanced Deduction for Seniors

- Receiving Social Security benefits is **not** a requirement for the deduction.
- May have heard that OBBBA resulted in no tax on Social Security. This is not accurate.
- The rules for calculating taxable Social Security benefits **have not changed**.
 - This may need to be explained to taxpayers who have heard or read that Social Security is no longer taxable.

TaxSlayer and Enhanced Deduction for Seniors

- No additional entries are needed in TaxSlayer.
- Once the date of birth is entered for taxpayer (and spouse, if Married Filing Jointly), the software will calculate the deduction if they are 65 or older.
- You may want to note on the Intake Sheet that they are 65 or older and then double-check the return to see that the enhanced deduction was claimed.
- This could also help the quality reviewer.



NO TAX ON QUALIFIED TIPS

Some Background Information on Tips

- In general, tips received as an employee or from self-employment must be included in gross income and are subject to income tax and social security and Medicare tax.
- If an employee received cash and charge tips of \$20 or more in a calendar month and didn't report all of those tips to their employer, they must file Form 4137, Social Security Medicare Tax on Unreported Tip Income.
 - Form 4137 must also be filed if Form(s) W-2, Box 8, shows allocated tips that they must report as income.
 - Note: Form 4137 is for employees only. Self-employed individuals do not use the form.

No Tax on Qualified Tips

Deduction Amount

Deduction Amount:

- Maximum annual deduction is **\$25,000** per return.
 - For joint filers, this is per return, not per spouse if each spouse has qualified tip income.
- Deduction reduced if MAGI exceeds \$150,000 (\$300,000 for MFJ).
- If taxpayer is self-employed (Schedule C filers), the qualified tips deduction is limited to the net profit from their trade or business.
- If they have more than one trade and business, this limitation has to be calculated separately for each business.

No Tax on Qualified Tips Rules

- Taxpayer may be able to claim a deduction for qualified tips paid to them that are included on Form W-2, Form 1099-NEC, or Form 1099-MISC, Form 1099-K, or reported directly by the taxpayer on Form 4137.
 - For tax year 2025, employers and other payers are not required to separately report qualified tips on the above-listed forms.
 - How to identify qualified tips covered later in this presentation.
- Taxpayer who received qualified overtime **must have a Social Security number valid for employment** that is issued by the due date of the return (including extensions).
- **Married Filing Separately** filers are **not eligible** for the deduction.

What are Qualified Tips?

- Qualified tips are tips that a taxpayer received from customers or, as an employee, through a tip-sharing arrangement in an occupation that customarily and regularly received tips on or before December 31, 2024. See [IRS.gov/TippedOccupations](https://www.irs.gov/TippedOccupations)
- Qualified tips are tips that are:
 - Cash tips,
 - Paid voluntarily,
 - Not the subject of negotiation, and
 - Determined by the customer/payer.

No Tax on Tips – The Rules

- The rules for determining whether tips are “**qualified**” are as follows:
 - Tip earners must have a valid Social Security number. In the case of a joint return, the tip earner must have a valid SSN to claim the deduction.
 - Filing status cannot be Married Filing Separately.
 - Tips must be received for work in occupations listed by the IRS as regularly and customarily receiving tips on or before December 31, 2024.
 - The full list of occupations can be found at [IRS.gov/TippedOccupations](https://www.irs.gov/TippedOccupations)

No Tax on Tips – The Rules (Cont.)


- The rules for determining whether tips are “**qualified**” are as follows:
 - Tips must be reported on a W-2, 1099-NEC, 1099-K, 1099-MISC, or other specified statement furnished to the individual, or reported by the taxpayer on Form 4137.
 - Beginning in tax year 2026 (filing season 2027), Forms W-2 will have special codes in Box 12 to report this information, and forms 1099-NEC, 1099-K, and 1099-MISC will have a new line listing qualified tips;
 - But this is not expected for tax year 2025.
 - Bottom line: Taxpayers will generally need something from their employer or payer to claim that deduction.

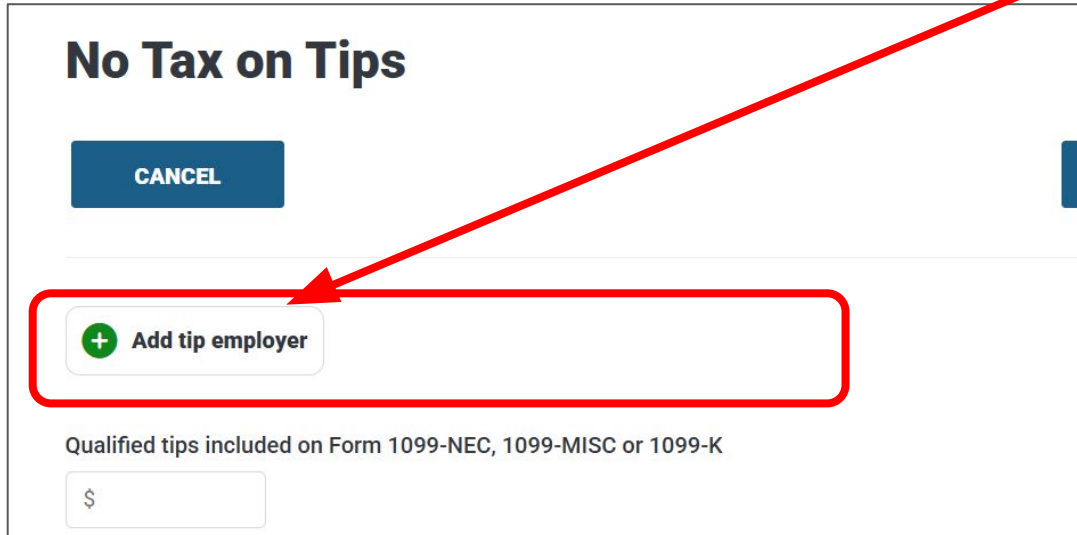
No Tax on Tips

- Information will be provided prior to tax site operations.

Qualified Tips

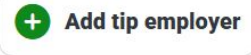
TaxSlayer Entries for Employees

- On the No Tax on Tips page in TaxSlayer (Deductions→Additional Deductions→No Tax on Tips), select the  box.



No Tax on Tips

CANCEL

 Add tip employer

Qualified tips included on Form 1099-NEC, 1099-MISC or 1099-K

\$

- After completing the entries shown on the next slide, if there are qualified tips for a another employer, select this tab again to enter information for the other employer(s).
- Tip information must be entered separately for each employer.

Qualified Tips TaxSlayer Entries for Employees

Employer Qualified Tips Entry

Employer name *

Qualified tips reported on Form W-2, box 7 or
Form(s) 4070 *

Qualified tips reported on Form 4137, Line
1(c) *

SAVE

CANCEL

- Enter the employer name as it appears on the W-2.
- Enter qualified tips included on Form W-2, Box 7, Social security tips, OR the amount reported by the employer in Box 14 of Form W-2 (or on a separate employer statement).
- If there were allocated or unreported tips associated with the employer, enter qualified tips from column 1(c) of Form 4137.
 - The amount from column 1(c) should include both reported and unreported tips. This would be the total of Form W-2, Boxes 7 and 8, and unreported tips.
- The larger of the amount entered in the second field and third field will be used for the deduction.

Qualified Tips TaxSlayer Entries for Employees

- If the employer reports an amount in Box 12 with code TP, include that amount in the second field shown on the previous slide.
- TaxSlayer will not automatically populate the amount from Box 12 anywhere in the software.

Qualified Tips

TaxSlayer Entry for Self-Employed Taxpayers

- On the No Tax on Tips page in TaxSlayer (Deductions→Additional Deductions→No Tax on Tips):
 - In the entry field for, “**Qualified tips included on Form 1099-NEC, 1099-MISC or 1099-K**”, enter the lesser of the net profit from Schedule C (line 31) or the qualified tips that are included on the 1099 form(s).
 - If the taxpayer had more than one trade or business, figure the amount above separately for each business.
 - Then add the “lesser amounts” together for each business. This total gets entered in the field referenced above.
- Use Accounting Aid’s *Qualified Tip Deduction Worksheet (For Self-Employed Taxpayers)* to determine the amount to enter.)

Qualified Tips

TaxSlayer Entry for Self-Employed Taxpayers

No Tax on Tips

CANCEL

CONTINUE



Add tip employer

Qualified tips included on Form 1099-NEC, 1099-MISC or 1099-K

\$



NO TAX ON QUALIFIED OVERTIME

No Tax on Qualified Overtime Deduction Amount

Deduction Amount:

- **Up to \$12,500** of qualified overtime compensation earned for the year **per return (\$25,000 for Married Filing Jointly (MFJ)** returns).
- Deduction reduced if MAGI exceeds \$150,000 (\$300,000 for MFJ).

No Tax on Qualified Overtime Rules

- Taxpayer may be able to claim a deduction for qualified overtime compensation paid to them and that is reported on Form W-2, Form 1099-NEC, or Form 1099-MISC.
 - For tax year 2025, employers and other payers are not required to separately report qualified overtime on the above-listed forms.
 - How to identify qualified overtime covered later in this presentation.
- Taxpayer who received qualified overtime **must have a Social Security number valid for employment** that is issued by the due date of the return (including extensions).
- **Married Filing Separately** filers are **not eligible** for the deduction.

What is Qualified Overtime Compensation?

- Overtime compensation paid to an individual **required under** section 7 of the **Fair Labor Standards Act of 1938 (FLSA)** that exceeds the regular rate at which the individual is employed.
- This generally means the “half” portion of “time-and-a-half” compensation that is required by the FLSA.
- For overtime to be required under the FLSA, it must, among other requirements, be paid to an individual who is both **covered by the FLSA** and **not exempt from the FLSA’s overtime requirement**.
 - Referred to as an **FLSA overtime-eligible employee**.
- If individual is an FLSA overtime-eligible employee, they must generally receive overtime pay for hours they work that are more than a 40-hour workweek.

What is NOT Qualified Overtime Compensation?

The following amounts are **not** qualified overtime and cannot be deducted:

- **Premium Pay** – Some employers under a collective bargaining agreement and/or under state law provide more pay than section 7 of the FLSA requires.
 - For example, an employer might choose to pay more than “time-and-a-half”. The amount of overtime paid that is over “time-and-a-half” is **not** qualified overtime compensation.
- **Payment for Holidays and Weekends** – Some employers may pay more for certain weekends or holidays even if the employee doesn’t work more than 40 hours in the workweek.
 - Extra pay for certain weekends or holidays is **generally not qualified overtime compensation** if the employee **doesn’t work more than 40 hours in the workweek**.

What is NOT Qualified Overtime Compensation?

(continued)

The following amounts are ***not*** qualified overtime and cannot be deducted:

- **Qualified Tips** – Qualified overtime compensation doesn't include any amount you receive as a qualified tip.
- **Coverage Under State Rules** – Some FLSA-***ineligible*** employees are eligible for overtime under state law or are paid premium rates for certain work for other reasons.
 - Overtime pay that is paid to these FLSA-***ineligible*** employees is not qualified overtime compensation and these amounts can't be included when figuring the deduction for qualified overtime compensation.

How to Determine if Individual is an FLSA Overtime-Eligible Employee?

- It is common for employees working in the U.S. to be covered by the FLSA; however, there are **many exemptions from its overtime premium requirement**.
 - If they are **exempt from the FLSA overtime premium requirement**, they are **NOT** an FLSA Overtime-Eligible Employee.
- Whether an individual is covered by and not exempt under the FLSA is a fact-specific determination that depends on the individual's occupation, work activities, and/or earnings.

How to Determine if Individual is an FLSA Overtime-Eligible Employee?

- Certain groups of workers, including, but not limited to, public sector workers, fire protection and law enforcement workers, group home employees, and others may operate under different sections of the FLSA and may have different rules for establishing their overtime pay eligibility.
- For example, a public sector employee in fire protection or law enforcement, or an employee of a political subdivision of a state or an interstate governmental agency who receives compensatory time off instead of cash overtime.

How to Determine if Individual is an FLSA Overtime-Eligible Employee?

- If an amount for “Qualified Overtime” or “OB BB Overtime” is shown on the W-2 in Box 14 or on a statement provided by the employer, we can rely that the employer is indicating that the individual is an FLSA overtime-eligible employee. This is also true if an amount is entered in Box 12 of Form W-2 with a code of TT.
- If Box 14 of the W-2 or the employer statement has a description different than what is listed above, or the employer did not provide an amount to the employee of qualified overtime compensation, further discussion with the taxpayer is warranted.
 - **Ask the taxpayer!** It is not up to us to determine whether they are covered by FLSA and/or exempt or not exempt from the overtime premium requirement.

More Information on FLSA

- More information on FLSA overtime-eligible employees, including information for federal employees:
 - See Q2 and Q3 of the [Questions and answers about the new deduction for qualified overtime compensation | Internal Revenue Service](#)
- If necessary, provide the IRS link above to the taxpayer. Again, we should not be making the FLSA overtime-eligible employee determination. Taxpayers should ask the employer.

Will Qualified Overtime Compensation be Separately Reported on Form W-2, Form 1099-NEC, or Form 1099-MISC?

- **For tax years 2026 and later years**, these forms will be updated to allow employers and other payers to provide separate reporting of qualified overtime compensation.
 - Form W-2 – A new box 12 code of TT will be used by the employer to report qualified overtime compensation.
- **For tax year 2025**, employers and other payers are **not required** to report qualified overtime compensation separately on these forms.
 - Some employers may choose to use Box 14 of the W-2 or use an online portal or separate statement to report overtime.
 - Because it is not required for tax year 2025, we may see some employers not reporting qualified overtime pay to their employees.

How to Determine the Deduction for Qualified Overtime for 2025?

- **It will depend on the documentation the taxpayer has:**
 - Form W-2 with code TT in Box 12.
 - Form W-2 with an amount in Box 14 for overtime.
 - Statement from the employer or an online portal reporting overtime.
 - Final pay stub for the year.
- Accounting Aid has developed a worksheet to help determine if the taxpayer is eligible for the deduction for qualified overtime compensation and to determine the amount of qualified overtime compensation.

Form W-2 With Code TT in Box 12

- Although not required for tax year 2025, some employers might report qualified overtime pay in Box 12 with the new code of TT.
 - The amount can be used for the deduction.

Form W-2 With an Amount Reported in Box 14 or an Employer Statement With an Amount for Overtime

Important to determine if the amount reported in Box 14 or on an employer statement is qualified overtime compensation, total overtime pay, or an overtime premium.

- If the description is “**Qualified Overtime**” or “**FLSA Overtime Premium**” or “**OBBB Overtime**” for the overtime amount reported, we can assume that the employer is reporting qualified overtime compensation. That is, the one-half portion of time-and-a-half, in most cases.
 - The amount in Box 14 or on the employer statement can be used for the deduction.

Form W-2 With an Amount Reported in Box 14 or an Employer Statement With an Amount for Overtime

- If the description is “**Overtime Premium**” and the taxpayer is an FLSA overtime-eligible employee:
 - Ask the taxpayer at what rate do they get paid overtime (time-and-a-half, double-time, other).
 - If the answer is time-and-a-half, the amount in Box 14 can be used for the deduction.
 - If the answer is double-time, divide the amount in Box 14 by two to arrive at the qualified overtime compensation.
 - If they are paid at some other rate of overtime, do a similar calculation as above to determine the “half” portion of overtime/qualified overtime compensation. See Accounting Aid’s *Qualified Overtime Deduction Worksheet*.

Form W-2 With an Amount Reported in Box 14 or an Employer Statement With an Amount for Overtime

- If the description is “**Overtime**” or “**Overtime Pay**” and the taxpayer is an FLSA overtime-eligible employee, the taxpayer needs to get more specifics from the employer.
 - The amount reported could be total overtime (regular pay plus overtime) and not just the “half” portion or qualified overtime.
 - Taxpayer should ask the employer if the amount in Box 14 is total overtime pay, overtime premium, or qualified overtime pay.
 - If it’s total overtime pay, taxpayer should ask employer if they can provide him or her with their qualified overtime compensation on a written statement.
 - Should also confirm with the taxpayer at what rate do they get paid overtime (time-and-a-half, double-time, other).

Form W-2 With an Amount Reported in Box 14 or an Employer Statement With an Amount for Overtime

- If the description is “**Overtime**” or “**Overtime Pay**” and the taxpayer is unable to get further information from the employer:
 - At a minimum, you can assume that the amount in Box 14 is total Overtime Pay and not qualified overtime compensation.
 - If they get paid at time-and-a-half, divide the amount in Box 14 by 3 to arrive at the qualified overtime amount.
 - If they are paid at a different rate of overtime, the calculation is different. See the chart on the Overtime Deduction Worksheet.
- Make sure the taxpayer is aware of the assumptions being made and the calculation for qualified overtime compensation. If they disagree with how it is being handled, they should be referred to a professional tax preparer.

How to Determine Qualified Overtime Compensation If an Overtime Amount is Reported in Box 14 of Form W-2 or On A Statement From the Employer

If the taxpayer is paid:	DESCRIPTION IN FORM W-2, BOX 14, or ON EMPLOYER STATEMENT		
	Qualified Overtime, FLSA Overtime Premium, or OBBB Premium	IF Taxpayer is an FLSA Overtime-Eligible Employee	
		<u>Overtime or Overtime Pay</u> ¹ Divide overtime pay by:	<u>Overtime Premium</u> Divide overtime premium by:
Time and A Half	Use the amount from Box 14	3	1
Double Time	Use the amount from Box 14	4	2
Two and A Half Times	Use the amount from Box 14	5	3
Triple Time	Use the amount from Box 14	6	4

¹If the description is Overtime or Overtime Pay (or some other description that does not indicate it is qualified overtime or overtime premium), the taxpayer should get more information from the employer to find out exactly what is being reported in Box 14 or on the employer statement. If they are unable to get information from the employer, you can assume that the amount described as overtime or overtime pay is the regular rate of pay plus overtime and do the calculation as described in the chart to arrive at qualified overtime compensation.

IMPORTANT: Make sure the taxpayer is aware of the calculation. If they disagree with how the amount is being handled, they should seek assistance from a professional tax preparer.

Taxpayer Was Paid Overtime but Employer Did Not Provide an Amount for Overtime or Qualified Overtime

- The instructions for Schedule 1-A, Part III, No Tax on Overtime (beginning on page 105 of the 2025 Form 1040 Instructions), describe several methods of how a taxpayer may determine qualified overtime compensation.
- If taxpayer is an FLSA overtime-eligible employee, they have their final pay stub for 2025 which shows total overtime pay (including regular pay plus overtime premium), and they know their rate of overtime pay (e.g. time-and-half, double-time):
 - Calculate qualified overtime compensation by dividing the total overtime pay by the rate of overtime pay times two.
 - Example: Total overtime pay received was \$15,000; the overtime rate of pay was time-and-a-half:
 - $\$15,000 \div (1.5 \times 2) = \$5,000$

Taxpayer Was Paid Overtime but Employer Did Not Provide an Amount for Overtime or Qualified Overtime

- The calculation on the previous slide can be used only if the taxpayer has the amount of total overtime pay for hours worked over 40 in a week and the overtime pay was paid at a consistent rate. It cannot be used if overtime pay includes overtime paid for weekends, holidays, hours worked in excess of 8 hours a day, etc.
- See the instructions for Schedule 1-A, Part III, No Tax on Overtime for other methods of calculating qualified overtime compensation.
- The calculation could be complicated and the taxpayer may be advised to seek assistance from a professional tax preparer.

Qualified Overtime Compensation

Final Notes

- It is the taxpayer's responsibility to retain documentation to support their deduction for qualified overtime compensation.
- Use Accounting Aid's *Qualified Overtime Deduction Worksheet*. Give the completed worksheet to the taxpayer and advise them to keep the worksheet with their tax return.
- If taxpayer is missing information needed to determine qualified overtime compensation, determine if the deduction will benefit them before sending them away to get the information.

Will the deduction reduce their taxable income?

- Make notes on the Intake/Interview and Quality Review Sheet.

Qualified Overtime Compensation TaxSlayer Entries

- If an amount for overtime is reported in Box 14 of Form W-2:
 - On the W-2 page in TaxSlayer:
 - Select “Other” from the drop-down menu for the Description, and
 - Enter the amount from Box 14.
(Unfortunately, TaxSlayer doesn’t allow for making a direct entry of the actual description from the W-2.)
 - Add a Note in TaxSlayer. For the title, use the date the note is created and the word “Overtime” (e.g., 1/31/26 Overtime).
In the body of the Note,
 - Include the description that is in Box 14.
 - Explain how Qualified Overtime Compensation was calculated.

Wage and tax statement

CANCEL**SAVE & ENTER ANOTHER****CONTINUE**☒ This is a standard W-2☐ This is a corrected W-2☐ This is a substitute W-2

Box 14

Enter any box 14 codes and amounts. If your code is not listed, select Other. If no code is listed, you can leave this section blank.

14 - Other

Other (Not listed here) ▼

Amount

\$

Qualified Overtime Compensation TaxSlayer Entries

No Tax on Overtime

CANCEL

CONTINUE



Information

The overtime deduction is calculated based on the federal definition of overtime. The deductible portion of overtime pay is the premium amount paid above regular wages. Under federal law, overtime refers to any hours worked beyond 40 in a workweek, compensated at time-and-a-half. Only the "half" portion (the premium pay) is deductible. If your employer reports your total overtime pay, divide that amount by three and report one-third below. **Residents of states that calculate overtime based on daily hours (e.g., after 8 hours in a day) must determine the portion of pay that would have applied if the employee had worked more than 40 hours in that week.

Qualified overtime compensation included on Form W-2, Box 1

\$

Qualified overtime compensation included on Form 1099-NEC, 1099-MISC

\$

Enter total qualified overtime compensation from Accounting Aid Society's *Qualified Overtime Deduction Worksheet*.

Note: If an amount is in Box 12 of Form W-2 with a code of TT, it appears the amount will not flow to Schedule 1-A.

Therefore, the Box 12 amount should be included in the total entered here.

Always verify the amount on Schedule 1-A, line 21, with the amount on AAS' worksheet.



NO TAX ON QUALIFIED CAR LOAN INTEREST

No Tax on Car Loan Interest

- Information will be provided prior to tax site operations.