



UNITED STATES SENATE COMMITTEE ON FINANCE

WORKING FAMILIES TAX CUTS

NEW AND IMMEDIATE TAX RELIEF FOR AMERICA'S WORKING CLASS

On July 4, 2025, President Trump signed the **Working Families Tax Cuts** into law. This legislation not only prevented the largest tax hike in history, but it also restored and made permanent critical pro-growth tax provisions that are already increasing domestic investment and boosting economic growth. Moreover, through policies like **no taxes on overtime** and tips, and new tax relief for working families and seniors, low- and middle-income Americans are the biggest winners under this bill.

NO TAX ON OVERTIME

No tax on overtime for millions of America's hourly workers. Beginning in 2025, hourly workers can deduct up to \$12,500 (or \$25,000 for joint filers) of overtime premium payments. The deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

New deduction for workers who keep America running. Individuals who receive qualified overtime compensation required by the Fair Labor Standards Act (FLSA) may deduct from income the pay that exceeds their regular rate of pay—such as the “half” portion of “time-and-a-half” compensation—that is reported on income tax forms W-2, 1099 or another statement provided by the employer.

Available for taxpayers whether they itemize or claim the standard deduction. The Working Families Tax Cuts also increased the standard deduction, which about 90 percent of taxpayers claim.

How the new deduction works for eligible taxpayers:

- Andrew works overtime for a small business during 2025, and he receives a payroll statement from his employer that shows \$5,000 as the “overtime premium” that he was paid during the year. Andrew may include \$5,000 (the FLSA overtime premium) to determine the amount of qualified overtime compensation received in tax year 2025.
- Carol works in law enforcement and is paid \$15,000 of total annual overtime pay on a “work period” basis of 14 days that complies with the FLSA. For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Carol may include \$5,000 (\$15,000 divided by 3).
- Diane works for a local government agency that gives compensatory time at a rate of one and one-half hours for each overtime hour worked. In 2025, Diane was paid wages of \$4,500 for compensatory time off based on that overtime. Diane may include \$1,500 for purposes of determining the qualified overtime compensation deduction.

*“When you want to hustle, work overtime, that money goes straight into your pocket. **These tax breaks are immense** for the regular working people.” - [Eric B., paint foreman](#)*

The Working Family Tax Cuts’ new, immediate tax relief overwhelmingly benefits the working class. According to a [distributional analysis](#) from the nonpartisan Joint Committee on Taxation (JCT)—which previously estimated the tax bill provides more than [\\$600 billion](#) in new tax relief to middle-class households—the largest proportional tax benefits go to workers and families making less than \$50,000.