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IRS updates FAQs on qualified overtime compensation deduction under OBBBA

The IRS today updated FAQs in [Fact Sheet 2026-13] on the deduction for qualified overtime compensation under Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBBA)).

The updated FAQs remove guidance applicable only to tax year 2025 and provide additional details for employees, employers, and federal employees. The updated FAQs also include:

- Clarification on the limits and timing of the qualified overtime compensation deduction
- Additional information on coverage and exemptions under the Fair Labor Standards Act (FLSA)
- Information on Form W-2, Form 1099-MISC, and Form 1099-NEC requirements applicable to employers and payors of qualified overtime compensation
- Information on federal income tax withholding procedures related to qualified overtime compensation
- Additional information on the requirement that qualified overtime compensation must be separately reported on Form W-2 to claim the deduction
- More detailed information on issues applicable to federal employees