

OHIO AUDITOR OF STATE KEITH FABER



TO: UAN Users
FROM: UAN Support
DATE: December 19, 2025
SUBJECT: W-2 Edits to Box 14 for 'No Tax' on Qualifying Overtime using the W-2 Editor

Please review both sections of this memorandum:

- Pages 2-4 **'No Tax' on Qualifying Overtime** – the original notice was in the Overview of version 2026.1. Use it as a starting point to determine whether this applies to any of your employees and whether to supply that information on the 2025 W-2 forms.
- Pages 4-9 **W-2 Edits to Box 14 for 'No Tax' on Qualifying Overtime**. Follow if your local government decides to provide this information on 2025 W-2 forms.

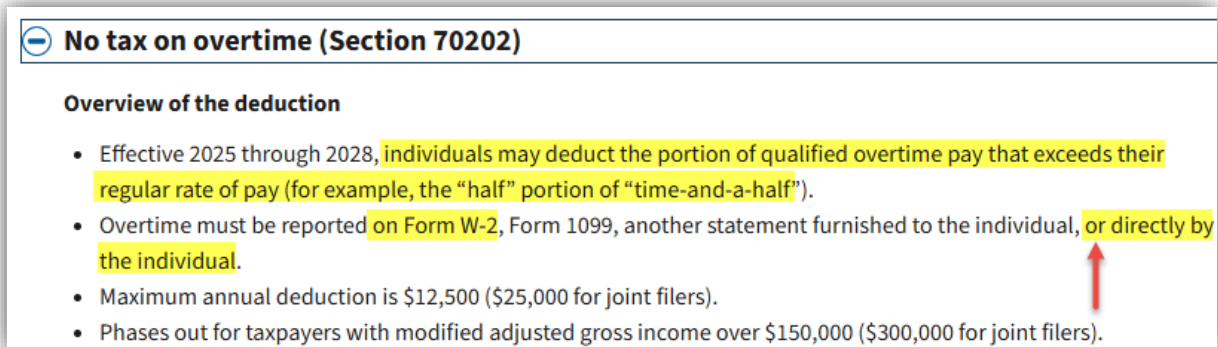
‘NO TAX’ ON QUALIFYING OVERTIME

UAN Support received many customer requests on how the ‘no tax on overtime’ provision of the federal One Big Beautiful Bill Act (PL 119–21) applies to their entity’s employees. UAN can only provide very general guidance for three common questions below:

How much qualifies as a tax deduction?

The following are screen clips taken from the IRS website below, current as of this writing:

<https://www.irs.gov/newsroom/one-big-beautiful-bill-provisions>



No tax on overtime (Section 70202)

Overview of the deduction

- Effective 2025 through 2028, individuals may deduct the portion of qualified overtime pay that exceeds their regular rate of pay (for example, the “half” portion of “time-and-a-half”).
- Overtime must be reported on Form W-2, Form 1099, another statement furnished to the individual, or directly by the individual.
- Maximum annual deduction is \$12,500 (\$25,000 for joint filers).
- Phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

<https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>

IR-2025-114, Nov. 21, 2025 ...

No Tax on Overtime

For tax years 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay (generally, the “half” portion of “time-and-a-half” compensation) that is required by the Fair Labor Standards Act and reported on a Form W-2, Form 1099, or other specified statement furnished to the individual.

It appears that for *qualifying* overtime compensation, only the employee pay that exceeds their regular rate of pay can be deducted on the **employee’s Form 1040 federal tax return** (e.g. the ‘no tax’ deduction only applies to federal income tax on the 0.5 portion of an employee paid at a 1.5 overtime rate). Review the rest of the information on the IRS websites above and / or contact a qualified tax advisor for more complex questions on this subject. For example, does it apply to shift differentials? Holiday-work OT rates? Double-time or other types of overtime rates?

UAN Support cannot answer these questions.

Is our entity responsible for reporting this on the 2025 W-2 Form?

Please view page 13 of the IRS publication which you can open here:

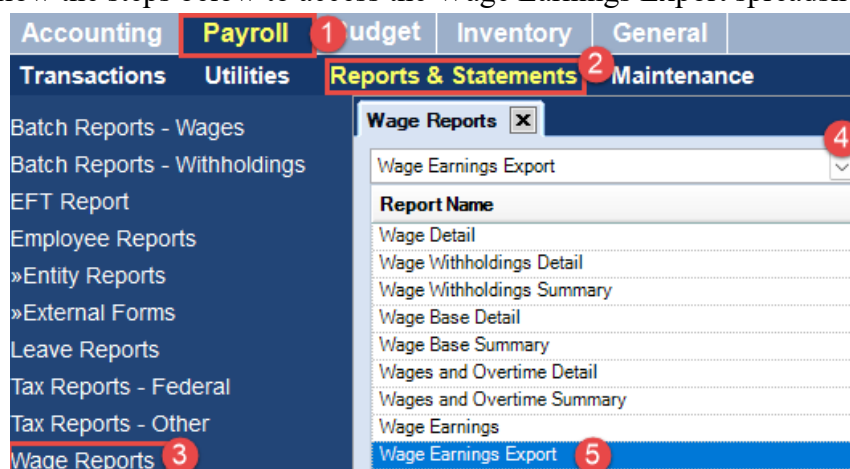
<https://www.irs.gov/pub/irs-drop/n-25-62.pdf>

In brief, it appears that in the paragraph above section 5 of page 13 of the publication: (paraphrased) the IRS is *encouraging* employers to include qualifying overtime compensation in **box 14** of **Form W-2**. For an expert interpretation and clarification, please contact the IRS or a qualified tax advisor.

Are there any reports in UAN that calculate the ‘half-portion’ of the ‘time and a half’ compensation?

There are no reports that separate out the ‘half-portion’ but there is at least one report that will separate out the overtime from regular hours. Based on their titles, the Wages and Overtime Summary or the Wages and Overtime Detail reports seem like they would be the best options, but **UAN Support recommends the Wage Earnings Export** instead, as explained below:

- **Wages and Overtime Summary or Detail:** If you use one of these reports, always do so in conjunction with Wage Earnings Export. Either report will provide overtime hours and wages *per paycheck* which might be helpful in some situations. However, use it with **caution** because it will separate overtime hours from regular hours *only if* the employee overtime was set up using the default overtime earning ‘Type 3000’ series (3000, 3001, etc.). See Payroll – Maintenance – Earnings & Leave to review earning types.
- **Wage Earnings Export (recommended):** This exports information to an Excel spreadsheet. Follow the steps below to access the Wage Earnings Export spreadsheet:



Make sure to select fiscal year 2025 and the entire ‘☉Year’ as the date-range.

Again, this will report the overtime earnings – you will have to calculate the ‘.5’ from the ‘1.5’ overtime earnings.

- The advantage of this report is that it will separate the annual total hours and gross pay by the earning type e.g. 2000 Hourly, 3000 Overtime, etc. This enables you to identify overtime that your entity might have set up using something other than the default ‘Type 3000’ series.
- For example, an entity uses earning ‘Type 2000’ which is typically setup for an employees’ regular hourly earnings. But they also set up an earning in the 2000 series as ‘Type 2001’ and give it a custom description such as ‘Road Overtime’ (not a typical use of this type of earning). The Road Overtime would be listed in a separate row in the spreadsheet than the employee’s normal hourly earnings. This enables you to identify it

as overtime pay. This is unlike the Wages and Overtime Summary report which would lump it in with the rest of the employees’ regular hourly earnings because both earnings in the example are set up under the type ‘2000’ series (2000, 2001, etc.)

W-2 EDITS TO BOX 14 FOR ‘NO TAX’ ON QUALIFYING OVERTIME

If you only have a few employees with qualifying tax-deductible overtime, then it is easiest to edit each employee’s W-2 form individually by following the instructions in the Year End Procedures, Appendix 3, pages 79-83. If you have 10 or more employees that you would like to edit for qualifying overtime, we recommend using the W-2 Editor to save time.

Important: It is critical to wait until you post all the final 2025 wages before entering edits to the W-2 forms in UAN (e.g. if you post wages for an employee after editing Box 14 of his W-2, the additional OPERS withheld from that new wage would not update in Box 14).

- 1) After you have posted all your final 2025 wages and any unusual wage corrections such as wage adjustments, then follow the steps in Appendix 3 of the Year End Procedures to add 2025 W-2 forms and complete any unrelated edits, when necessary.
- 2) When you are ready to **add** the qualify overtime, then open the W-2 Editor, as seen in the image that follows.

The screenshot displays the UAN software interface. The top navigation bar includes 'Accounting', 'Payroll', 'Budget', 'Inventory', and 'General'. Below it, a secondary bar shows 'Transactions', 'Utilities', 'Reports & Statements', and 'Maintenance'. The left sidebar lists various reports, with 'W-2 & W-3 Forms' highlighted. The main area shows a list of employees with checkboxes next to their names. Red circles with numbers 1 through 6 highlight specific steps: 1 on 'Payroll', 2 on 'Reports & Statements', 3 on 'External Forms', 4 on 'W-2 & W-3 Forms', 5 on the 'W-2 & W-3 Forms' window title, and 6 on the 'W-2 Editor' button.

Accounting	Payroll	Budget	Inventory	General
Transactions	Utilities	Reports & Statements	Maintenance	

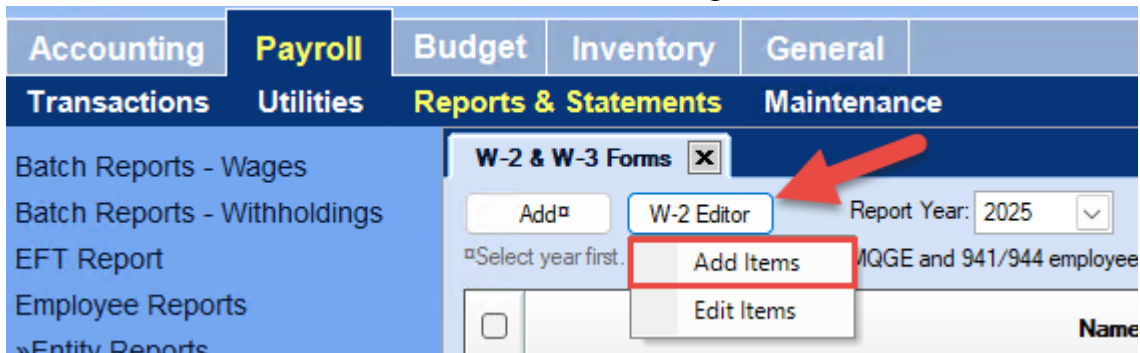
Batch Reports - Wages
Batch Reports - Withholdings
EFT Report
Employee Reports
»Entity Reports
«External Forms
941 Federal Quarterly
944 Federal Annual
ODJFS New Hire
ODJFS Wage Detail
OP&FPF Contributions
OP&FPF Remittance
OPERS Contributions
OPERS Non-Contributing
OPERS Remittance
W-2 & W-3 Forms
1095 & 1094 Forms

W-2 & W-3 Forms X

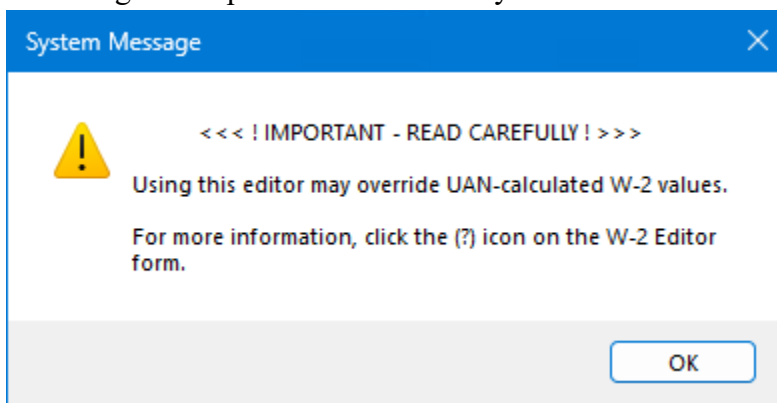
Add W-2 Editor Report Year: 2025
Select year first. Print Notice MQGE and 941/944 employee

	Name
<input type="checkbox"/>	Boltz, Rusty A.
<input type="checkbox"/>	Buckeye, Brutus
<input type="checkbox"/>	Build, Robert
<input type="checkbox"/>	Ceased, Barry D.
<input type="checkbox"/>	Crank, Carl
<input type="checkbox"/>	Day, Sonny
<input type="checkbox"/>	Friendly, Steve
<input type="checkbox"/>	Hamer, Harry
<input type="checkbox"/>	Hero, Henry, Jr.
<input type="checkbox"/>	Hero, Henry, Sr.
<input type="checkbox"/>	Jones, Jerry
<input type="checkbox"/>	Lands, Harold
<input type="checkbox"/>	Part, Art
<input type="checkbox"/>	Permit, Perry

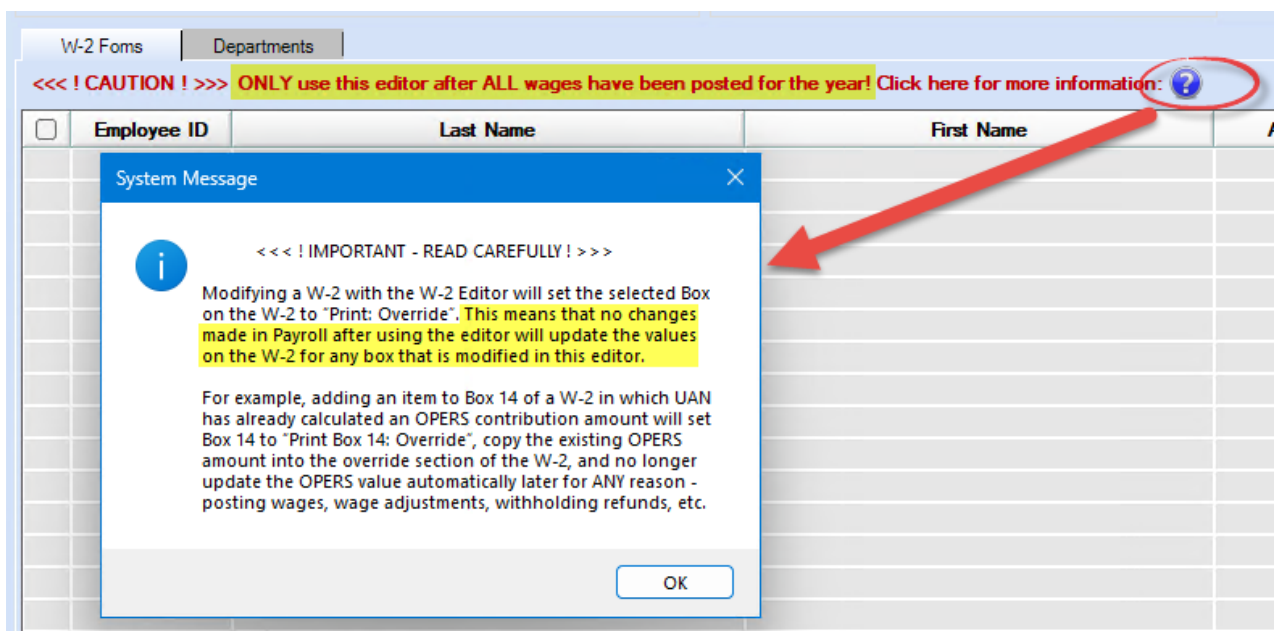
- 3) First select W-2 Editor – Add Items, as seen in the image below.



- 4) A message will open. Read it carefully and click OK to continue.



- 5) When the form opens, read the red ‘CAUTION!’ sentence and click the ‘?’ icon as seen below.



- 6) Read the message carefully. If you have any questions or concerns, please call UAN Support before proceeding. To continue, click OK.

7) Complete the steps in the order illustrated in the image below.

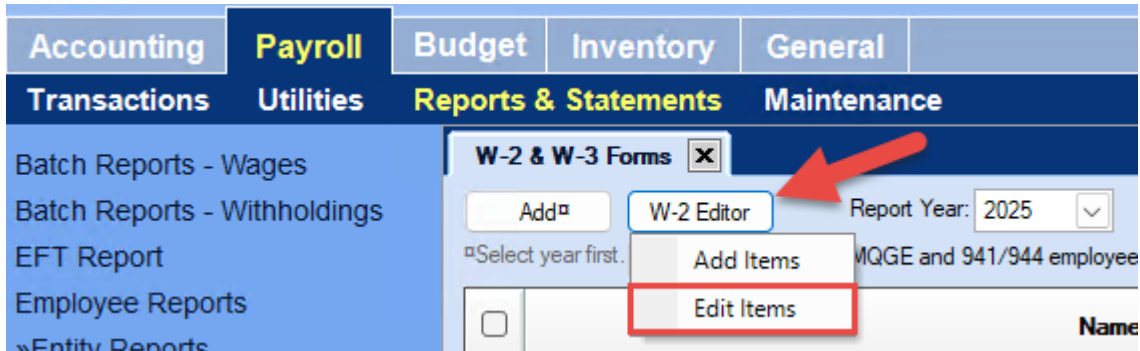
- a. **‘Add By’ Group.** (2 in the image) We are adding the new item for Box 14 to a Group of employees. This will save time since you will only need to type the item description one time instead of repeating the entry for every individual.
- b. **Narrow by Departments** (3-4 in the image). In the example, our fake Buckeye Township only has employees with qualifying overtime in our Maintenance department, so we start by narrowing it down to only that department. This is optional depending on your situation.

8) Continuing with our example (7-10 in the image below), not all the employees on the list have qualifying ‘non-tax’ overtime, so we only checkmark those who need the new Box 14 item.

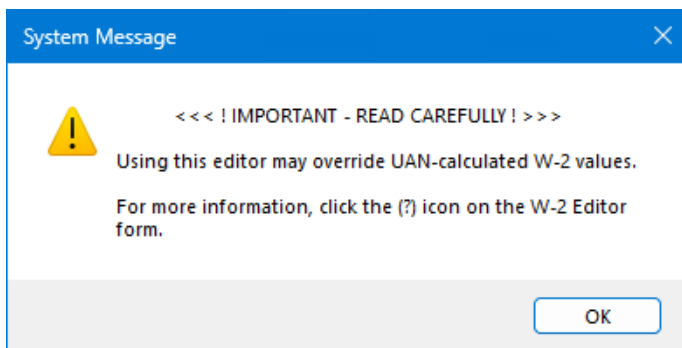
Employee ID	Last Name	First Name	Item	Amount
<input checked="" type="checkbox"/>	Boltz	Boltz	Rusty A.	
<input checked="" type="checkbox"/>	Ceased	Ceased	Barry D.	
<input checked="" type="checkbox"/>	Crank C	Crank	Carl	
<input checked="" type="checkbox"/>	Friendly S	Friendly	Steve	
<input type="checkbox"/>	Jones J	Jones	Jerry	
<input type="checkbox"/>	Part A	Part	Art	
<input checked="" type="checkbox"/>	Permit P	Permit	Perry	
<input type="checkbox"/>	Smith J	Smith	John	

****Make sure to read the notes about this example on the next page.**

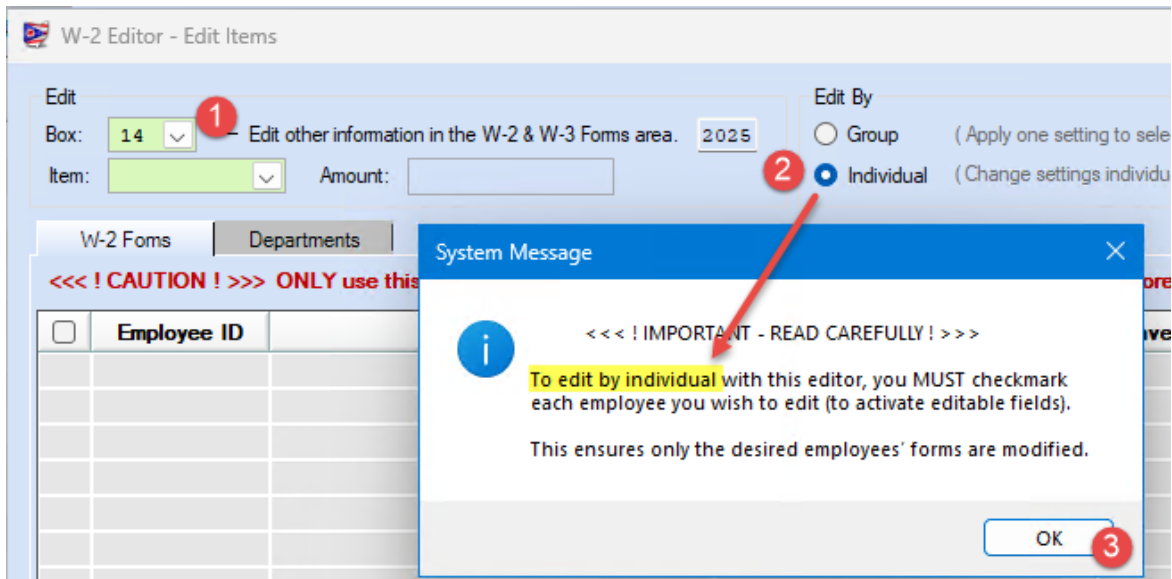
- a. The Item Description **is only an example** (7 in the image above). You can enter no more than 10 characters because of the limited space on the IRS Form W-2.
 - b. UAN recommends entering **\$0.00** in the ‘Amount’ **temporarily** (8 in the image above). You will update this later when you enter each individual employees’ qualifying amount.
- 9) After adding the new item to Box 14, click the W-2 Editor again and select Edit Items.



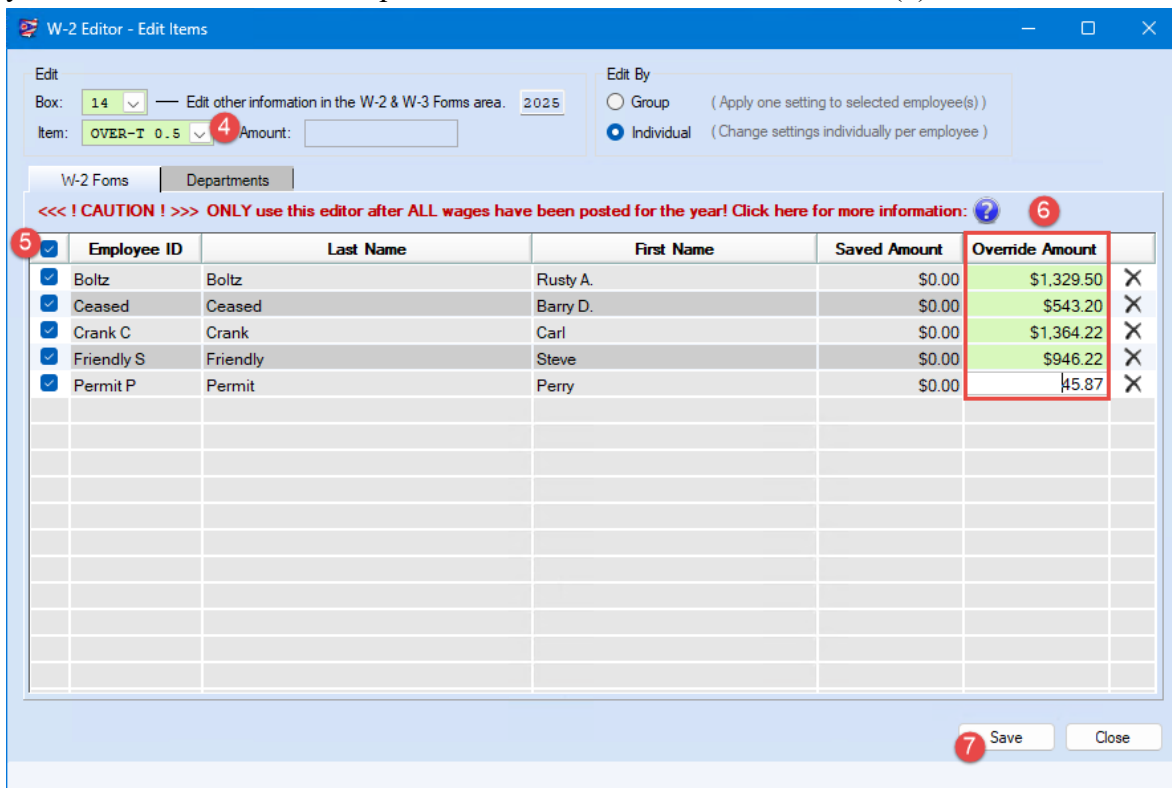
- 10) The reminder message will open again. Read it carefully and then click OK.



- 11) The W-2 Editor – Edit Items form will open. Follow the steps in the image on the next page to **Edit By Individual**. Read the message and click OK.



- 12) Select the new item that you recently added for qualifying overtime (4 in the image below) and checkmark the employees you will edit (5). This will allow you to enter the qualifying amount you have calculated for each person in the Override Amount column (6).



- 13) Click Save and the form will display the new Saved Amount for each employee, as seen in the image that follows.

