

119TH CONGRESS
1ST SESSION

S. 1606

To amend the Internal Revenue Code of 1986 to establish a deduction
for certain overtime payments.

IN THE SENATE OF THE UNITED STATES

MAY 6, 2025

Mr. MARSHALL (for himself, Mr. TUBERVILLE, Mr. RICKETTS, and Mr. JUSTICE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to establish
a deduction for certain overtime payments.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Overtime Wages Tax
5 Relief Act”.

6 **SEC. 2. DEDUCTION FOR OVERTIME COMPENSATION.**

7 (a) IN GENERAL.—

8 (1) DEDUCTION ALLOWED.—Part VII of sub-
9 chapter B of chapter 1 of the Internal Revenue Code
10 of 1986 is amended by redesignating section 224 as

1 section 225 and by inserting after section 223 the
 2 following new section:

3 **“SEC. 224. OVERTIME COMPENSATION.**

4 “(a) IN GENERAL.—There shall be allowed as a de-
 5 duction an amount equal to so much of any overtime com-
 6 pensation received by an individual as does not exceed
 7 \$10,000 (\$20,000 in the case of a joint return) for the
 8 taxable year.

9 “(b) LIMITATION.—The amount of the deduction al-
 10 lowable under subsection (a) shall be reduced (but not
 11 below zero) by \$50 for each \$1,000 (or fraction thereof)
 12 by which the taxpayer’s modified adjusted gross income
 13 exceeds \$100,000 (\$200,000 in the case of a joint return).
 14 For purposes of the preceding sentence, the term ‘modi-
 15 fied adjusted gross income’ means adjusted gross income
 16 increased by any amount excluded from gross income
 17 under section 911, 931, or 933.

18 “(c) OVERTIME COMPENSATION.—For purposes of
 19 this section, the term ‘overtime compensation’ means com-
 20 pensation that is paid to a taxpayer—

21 “(1) at a rate of not less than one and one-half
 22 times the regular rate at which the taxpayer is em-
 23 ployed, and

24 “(2) for work for a single employer that is in
 25 excess of a maximum number of hours of such work

1 for a specified period of time as required pursuant
 2 to—

3 “(A) section 7 of the Fair Labor Stand-
 4 ards Act of 1938, or

5 “(B) an agreement that—

6 “(i) is a collective bargaining agree-
 7 ment or an agreement or understanding
 8 arrived at between the employer and the
 9 employee before performance of the work,
 10 and

11 “(ii) provides that such maximum
 12 number of hours for a specified period of
 13 time is not less than 40 hours for a 7-day
 14 work period.

15 “(d) REGULATIONS.—The Secretary shall provide
 16 such regulations or other guidance as may be necessary
 17 to carry out this section.”.

18 (2) CONFORMING AMENDMENT.—The table of
 19 sections for part VII of subchapter B of chapter 1
 20 of such Code is amended by redesignating the item
 21 relating to section 224 as relating to section 225
 22 and by inserting after the item relating to section
 23 223 the following new item:

“Sec. 224. Overtime payments.”.

24 (b) DEDUCTION ALLOWED TO NON-ITEMIZERS.—
 25 Section 63(b) of the Internal Revenue Code of 1986 is

1 amended by striking “and” at the end of paragraph (3),
 2 by striking the period at the end of paragraph (4) and
 3 inserting “and”, and by adding at the end the following
 4 new paragraph:

5 “(5) the deduction provided in section 224.”.

6 (c) NON-APPLICATION OF CERTAIN LIMITATIONS
 7 FOR ITEMIZERS.—

8 (1) DEDUCTION NOT TREATED AS A MISCELLA-
 9 NEOUS ITEMIZED DEDUCTION.—Section 67(b) of the
 10 Internal Revenue Code of 1986 is amended by strik-
 11 ing “and” at the end of paragraph (11), by striking
 12 the period at the end of paragraph (12) and insert-
 13 ing “, and”, and by adding at the end the following
 14 new paragraph:

15 “(13) the deduction under section 224 (relating
 16 to overtime compensation).”.

17 (2) DEDUCTION NOT TAKEN INTO ACCOUNT
 18 UNDER OVERALL LIMITATION.—Section 68(c) of the
 19 Internal Revenue Code of 1986 is amended by strik-
 20 ing “and” at the end of paragraph (2), by striking
 21 the period at the end of paragraph (3) and inserting
 22 “, and”, and by adding at the end the following new
 23 paragraph:

24 “(4) the deduction under section 224 (relating
 25 to overtime compensation).”.

1 (d) REPORTING.—Section 6051(a) of the Internal
2 Revenue Code of 1986 is amended by striking “and” at
3 the end of paragraph (16), by striking the period at the
4 end of paragraph (17) and inserting “, and”, and by in-
5 serting after paragraph (17) the following new paragraph:

6 “(18) the total amount of overtime compensa-
7 tion as defined in section 224(b).”.

8 (e) WITHHOLDING.—The Secretary of the Treasury
9 (or the Secretary’s delegate) shall modify the tables and
10 procedures prescribed under section 3402(a) of the Inter-
11 nal Revenue Code of 1986 to take into account the deduc-
12 tion allowed under section 224 of such Code (as added
13 by this Act).

14 (f) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2025.

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