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OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2026-35

TO: LaGov HCM Paid Agency Human Resources  
and Employee Administration Staff

FROM: Andrea P. Hubbard  
Director

SUBJECT: One Big Beautiful Bill Act – Qualified Overtime Compensation

**Overview of Qualified Overtime Compensation (QOC)**

The One Big Beautiful Bill Act (OBBBA), [Public Law 119-21](#), was signed into law on July 4, 2025. For tax years 2025 through 2028, OBBBA allows individual taxpayers to deduct a portion of *qualified overtime compensation* (QOC) when filing their federal income tax return. QOC is generally defined as the portion of overtime compensation paid that exceeds an employee's Fair Labor Standards Act (FLSA) regular rate of pay (i.e. the "half" or premium portion of "time-and-a-half"). Because the State is a governmental employer, this provision also applies to certain cash payouts of compensatory time that include an FLSA premium component.

**Important:** This provision applies only to overtime compensation received while an employee is in an **FLSA non-exempt** position. Employees who were FLSA-exempt for the entire 2025 calendar year are not eligible for QOC under OBBBA.

**Employer Reporting Requirements**

Beginning with tax year **2026**, employers will be required to report qualified overtime compensation on employees' Forms W-2. For tax year **2025**, the IRS issued transitional relief, and employers are **not required** to separately report QOC amounts on the Form W-2. Although reporting is not required for 2025, **estimated** QOC information will be available to both employees (via LEO) and HR offices (via LaGov HCM).

**Why 2025 QOC Amounts are Estimates**

When LaGov HCM system-evaluated overtime codes are used, compensation is calculated in accordance with FLSA requirements, based on the employee's FLSA status, working week (see the [working week chart](#)), and hours actually worked. However, when system overtime override codes are used (State Overtime), employees

may receive compensation in excess of FLSA requirements. In these cases, the system cannot always determine with accuracy whether payments include an FLSA premium component. As a result, **QOC information provided for tax year 2025 is an estimate only** and may require additional agency and employee review.

### **New Qualified Overtime Compensation Report**

A new Qualified Overtime Compensation Report will be available to agency HR offices to support employee inquiries and internal review. Detailed instructions regarding the report and instructions for accessing and running the report will be distributed via a forthcoming listserv message from the LaGov HCM Help Desk.

HR offices should assist employees with general questions regarding the availability and content of QOC statements. Agencies should refer employees to [IRS Notice 2025-69](#) for guidance. Additionally, do not provide tax advice to employees; advise them to consult with a tax professional.

### **LEO – 2025 Estimated QOC Statements**

**Estimated** 2025 QOC statements for active employees will be available in LEO by **January 31, 2026**. This information will be referenced on the LEO Welcome Page and will recommend that employees postpone filing their tax returns until they review their QOC statement. All mailed Forms W-2 will also include a notice regarding the availability of QOC statements. Separated employees must contact their former HR office to obtain their QOC statement. Please note that the QOC statement is merely an estimate, and the State of Louisiana is not certifying that the amount provided therein is accurate. Employees should review their pay statements and detailed time statements and consult with a tax professional to determine their eligible QOC.

### **Sample Employee Communication**

A sample employee communication regarding the OBBBA overtime provision is attached. HR offices must distribute this information to employees using the delivery method most appropriate for their agency.

### **Looking Ahead to 2026**

A long-term solution beginning with tax year 2026 is currently under development and will likely involve new LaGov HCM non-FLSA overtime attendance codes and the retirement of the existing system overtime override codes. Additional information will be provided as it becomes available.

Employees with questions about how the overtime deduction applies to their individual tax situation should be advised to contact a qualified tax professional; OSUP does not provide tax advice. Direct agency questions regarding OBBBA to OSUP Management at [\\_DOA-OSUP-PRNotifica@la.gov](mailto:_DOA-OSUP-PRNotifica@la.gov). Include “OBBBA” in the subject line of the email.

APH:LMG/reI

[Attachment](#)