MEMORANDUM

To: UPS Local Unions

From: Johnny Sawyer, Package Division Coordinator

Date: March 10, 2026

Re: **Update on Overtime Tax Deduction**

The Teamsters Package Division has received questions from members about the "No Tax on Overtime" provision included in the One Big Beautiful Bill Act (OBBBA) that was passed last year, including whether Package Division members are impacted by the legislation.

The bill created a tax deduction allowing workers to deduct $12,500 (single) or $25,000 (married) of *qualified* overtime pay from their taxes. However, when Congress drafted the provision, it based the deduction off the only definition of overtime which exists in federal law. That definition, under the Fair Labor Standards Act (FLSA), guarantees time-and-a-half for most hourly workers.

Many employees, particularly in the transportation industry, are exempt from FLSA overtime. For example, all rail and aviation employees are exempt and will not receive the deduction. This is also true for the Package Division. Section 13(b)(1) of the FLSA, also known as the Motor Carrier Exemption, exempts the following employees from FLSA overtime:

- Employees of a motor carrier who are drivers, driver's helpers, loaders, or mechanics whose duties affect the safety of operation of motor vehicles in transportation on public highways in interstate or foreign commerce.

The Package Division is aware of a persistent rumor that members are not covered because they have a collective bargaining agreement. This is not true nor a determining factor — the exemption is a direct result of the FLSA overtime definition. While the Division cannot provide individual tax advice, members are strongly encouraged not to file any returns improperly claiming the overtime benefit.

The Teamsters Union is continuing to push for new legislation that would extend the overtime tax deduction to all workers whose overtime is not governed by the FLSA, including Package Division members. Specifically, we are pushing Congress to pass H.R. 5475, the No Tax on Overtime for All Workers Act. We are continuing to work with lawmakers from both parties to correct this exclusion and ensure that all hourly workers receive the tax relief they need.

Our members deserve the same recognition and tax benefits as other workers. We will keep fighting for the rights of all Teamsters at the state and federal levels.