



## FEBRUARY 2026 BENEFITS BULLETIN

**TAX SEASON-** Here is some information that can be useful when filing your taxes this season.

**DISCLAIMER}** The following information may be useful when filing your taxes this season. However, I am not a tax professional or financial advisor, and this should not be considered professional advice. I encourage you to verify the specifics independently.

### The Basics of No Tax on Overtime

A **federal income tax deduction** for a specific portion of overtime pay that can be described as misleading to some. We encourage you to retain all W-2s and final paystubs as documentation. For further guidance, please consult the [IRS.gov](https://www.irs.gov) website or the official IRS Forms and Instructions page.

Here's a simple breakdown from the IRS perspective:

- **It's a Deduction, Not an Exemption:** Your employer still withholds all taxes (federal income, Social Security, and Medicare) from your entire paycheck, including overtime pay. The tax benefit comes when you file your annual federal income tax return, where you can deduct a certain amount of that pay, which lowers your total taxable income and may result in a larger refund.
- **Only the "Premium" Portion Qualifies:** The deduction is only for the *extra* pay you get for working overtime (the "half" in "time-and-a-half" pay), not your entire overtime earnings.
- **Premium Pay Only:** It applies to the extra pay (e.g., time-and-a-half) above your regular rate for hours worked over 40 in a week.
- **Example:** If your regular rate is **\$20 per hour** and your overtime rate is **\$30 per hour**, only the extra **\$10 per hour** is eligible for the deduction.
- **Annual Cap:** You can deduct up to **\$12,500** of qualified overtime premium per year if you are a single filer, or up to **\$25,000** if you are married and file jointly.
- **Income Limits:** The deduction is designed for middle-income workers. It starts to phase out if your Modified Adjusted Gross Income (MAGI) is over **\$150,000** (single filers) or **\$300,000** (joint filers). If your income is too high, you might not get any deduction at all.
- **How to Claim It:** You will use a new form, **Schedule 1-A**, to calculate and claim this deduction when filing your Form 1040 federal tax return. For the 2026 tax year and beyond, employers are required to separately report your qualified overtime compensation on your W-2 form, making it easier to track.
- **Box 12 (Future Years):** Note that starting with the 2026 tax year (filed in 2027), this will be standard in **Box 12** using **Code TT**.

If your W-2 just shows only one total amount for your wages, you can still claim the deduction by doing a little math using your **final 2025 pay stub**.

Like the overtime deduction, these are available to you even if you do not itemize:

- **Car Loan Interest Deduction:** You can deduct up to **\$10,000** in interest paid on a loan for a new vehicle purchased for personal use, provided the vehicle was **assembled in the U.S.**
- **Enhanced Senior Deduction:** Taxpayers aged 65 or older can claim an additional **\$6,000 deduction** (or \$12,000 if both spouses qualify). This is on top of the standard deduction for seniors.

### Significant Changes to Existing Deductions

- **Standard Deduction Increase:** For 2025, the standard deduction has been raised to **\$15,750** for single filers and **\$31,500** for married couples filing jointly.
- **SALT Deduction Cap:** The cap for State and Local Taxes (SALT) has increased from \$10,000 to **\$40,000** for those who itemize.
- **Child Tax Credit:** The maximum credit for each qualifying child has increased to **\$2,200**.

## **Expiring Energy Credits (Deadline: 2025)**

Several environmental tax breaks were accelerated to end early under the new law:

- **Clean Vehicle Credit:** The federal tax credit for new (up to \$7,500) and used (up to \$4,000) electric vehicles is only available for cars purchased **before September 30, 2025**.
- **Energy-Efficient Home Improvements:** Credits for solar panels, heat pumps, and energy-efficient windows or doors (up to \$3,200) are only valid for projects completed by **December 31, 2025**.

## **Common "Above-the-Line" Deductions**

These continue to be available to most taxpayers without requiring itemization:

- **Student Loan Interest:** Deduct up to **\$2,500** in interest paid.
- **IRA Contributions:** Deduct up to **\$7,000** (\$8,000 if age 50+) for traditional IRA contributions.

PMA will be posting the 2025 QOC estimates via the DSS on or about January 31, 2026. Workers can download a copy of their 2025 QOC estimate through the DSS. Additionally, workers can contact PMA's Payroll Department to request their QOC estimate.

IRS guidelines instruct that workers may rely on PMA's estimate of the amount of QOC they earned during 2025 under ILWU-PMA agreements.

Workers can contact the PMA Payroll Department at [prsmail@pmanet.org](mailto:prsmail@pmanet.org) or (888) PMA-1234 for general information about 2025 QOC reporting.

## **SPAM CALLS**

Please know that if you have called the Local 13 Benefit Office and are expecting a call back, our phone number may appear as spam. To avoid this, please add the following numbers to your contacts; (310) 830-6116 or (310) 830-1130.

## **IN CASE OF AN EMERGENCY**

In the event of an emergency, it is extremely important to have your correct personal information, i.e. cell/home telephone #, address and/or a contact name. Please come into the Benefits Department and update your records.

## **RETIREMENT WORKSHOP**

Wednesday, February 18, 2026

10:00 a.m.

ILWU Memorial Hall

231 West C Street, Wilmington, CA 90744

## **ANNOUNCEMENT**

For your convenience, a representative from the **ILWU Credit Union** will be available in the lobby of Local 13 office, **Friday, February 20, 2026**, from **9:00 a.m. to 11:00 a.m.**

## **ADA JPLRC**

*(Americans with Disability Act Labor Relations Committee (ADA LRC))*

If you have been cited to appear, or if you would like to revise your existing accommodation(s), please plan to attend meetings, scheduled for the **first and third Tuesdays of each month** at Local 13 unless otherwise noted.

*In Solidarity,*

*Eddie Moncado #131390*

*"The world needs less machinery and more humanity"*

*Local 13 Health & Benefits Officer*

