



HOUSE BILL 11: No Tax on Tips, Overtime, Bonus Pay.

2025-2026 General Assembly

Committee:	House Commerce and Economic Development. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	February 25, 2025
Introduced by:	Reps. Warren, Bell, Chesser, Paré	Prepared by:	Greg Roney Staff Attorney
Analysis of:	First Edition		

OVERVIEW: *House Bill 11 would allow an individual income tax deduction for overtime pay, up to \$2,500 in bonus pay, and tips.*

CURRENT LAW: The calculation of State taxable income for individual taxpayers starts with federal adjusted gross income (AGI). Federal AGI includes income from all sources. Therefore, State taxable income includes overtime pay, bonus pay, and tips.

BILL ANALYSIS: House Bill 11 would allow an individual income tax deduction from State taxable income for an unlimited amount of overtime pay and tips. Additionally, an annual maximum \$2,500 in bonus pay would be deductible.

The deduction allowed by House Bill 11 is under G.S. 105-153.5(b) which is not an itemized deduction. A State taxpayer can make these deductions in addition to the standard deduction or itemized deductions.

The deduction for overtime pay applies to hourly wage earners after 40 hours worked in 1 week.

The deduction for bonus pay (\$2,500 maximum) applies to cash awards in recognition of outstanding work, suggestions, or similar workplace dedication.

EFFECTIVE DATE: House Bill 11 would apply for the 2025 tax year and following years.

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