

# Top 10 Payroll Compliance Mistakes



## 01. NOT PROCESSING TERMINATION/FINAL PAY PROPERLY

Overlooking state law requirements and not paying employees in a timely manner or paying out PTO appropriately.



## 02. MISCLASSIFYING EMPLOYEES VS. CONTRACTORS

Are they an employee or independent contractor? The IRS determines status based on behavioral control, financial control, and relationship.



## 03. MISCALCULATING BLENDED/WEIGHTED OVERTIME

Blended or weighted overtime is a method for calculating overtime pay under the Fair Labor Standards Act (FLSA) when an employee works multiple jobs with different pay rates in a single workweek. It calculates a weighted average rate for all hours worked, then pays 1.5 times this average for hours exceeding 40.



## 04. MINIMUM WAGE COMPLIANCE

There is a federal minimum wage, but several states have their own minimum wage as well as certain cities and municipalities having their own minimum wage. The minimum wage rate that applies is the one most beneficial for the employee.



## 05. NOT APPLYING FEDERAL OR STATE SALARY REQUIREMENTS FOR FLSA EXEMPT EMPLOYEES

To be classified as an exempt employee under the Fair Labor Standards Act (FLSA) an individual must generally meet three requirements: be paid on a salary basis, meet a minimum salary threshold (currently \$684 per week or \$35,568 annually as of 2020), and primarily perform executive, administrative, or professional duties. Exempt employees are not entitled to overtime pay or minimum wage for hours worked over 40 in a workweek.



## 06. NOT CALCULATING THE REGULAR RATE OF PAY CORRECTLY

Lack of including bonuses and must be calculated on a work week basis, not averaged. Under the FLSA, the regular rate includes “all remuneration for employment paid to, or on behalf of, the employee.” The FLSA (29 USC ? 207(e)) provides an exhaustive list of types of payments that can be excluded from the regular rate of pay when calculating overtime compensation. Unless specifically noted, payments that are excludable from the regular rate may not be credited towards overtime compensation due under the FLSA.



## 07. OVERLOOKING MEAL AND BREAK PENALTIES

Not adhering to state requirements.



## 08. INCORRECTLY WITHHOLDING OF VOLUNTARY DEDUCTIONS FROM MINIMUM WAGE & OVERTIME PREMIUM PAY

You cannot withhold a voluntary deduction if it reduces the overtime or minimum wage for an employee. Voluntary deductions are not required by law.



## 09. IGNORING UNPAID LEAVE REGULATIONS FOR SALARIED EXEMPT EMPLOYEES

Salaried exempt employees generally must be paid their full salary for any week in which they perform any work, but employers can dock pay for full-day absences due to personal reasons, sickness (under a plan), or disciplinary suspensions. Unpaid time off is usually permitted only for full-day increments when paid leave is exhausted, with exceptions for FMLA.



## 10. OVERLOOKING STATE REQUIREMENTS FOR PAY STUB CONFIGURATION

Pay stub configuration must meet specific state-mandated requirements for content (itemized deductions, hours worked, rates) and delivery (paper vs. electronic), with states like California, New York, and Massachusetts having the strictest rules. Most states require itemized details, while a few have no requirements, and some, like Hawaii, require opt-in consent for electronic, non-paper, stub.