

Overtime Defined:

In many instances, a portion of overtime pay can be deducted from “Gross Wages” when calculating workers compensation premiums. Please consult with your agent if you are unsure if your overtime wages can be deducted when calculating reportable payroll.

Overtime is defined as an increase in pay for hours worked in excess of the number of hours normally worked; i.e. Over 8 hours per day or 40 hours per week. No deduction for overtime is permitted for work in excess of 8 hours per day or 40 hours per week if the employee does not receive an increase in their hourly rate of pay for the overtime hours worked. No deduction is allowed for “guaranteed wage contracts” or “day rates” unless the employee is paid in excess of the guarantee wage or day rate.

Time and a half – Employers paying time and a half for overtime wages can deduct 1/3 of the overtime amount. For example:

Employee A earns \$10 per hour straight time and \$15 per hour for hours worked in excess of 40. Employee A works 52 hours in a week.

Gross wages = $(\$10 \times 40\text{hrs}) + (\$15 \times 12\text{hrs}) = \580

Overtime wages = $\$15 \times 12\text{hrs} = \180

Overtime deduction = $\$180/3 = \60

Reportable payroll = $\$580 - \$60 = \$520$

Double time – Employers paying double time for overtime wages can deduct ½ of the overtime amount. For example:

Employee B earns \$10 per hour straight time and \$20 per hour for hours worked in excess of 40. Employee B works 52 hours in a week.

Gross wages = $(\$10 \times 40 \text{ hours}) + (\$20 \times 12\text{hrs}) = \640

Overtime wages = $\$20 \times 12\text{hrs} = \240

Overtime deduction = $\$240/2 = \120

Reportable payroll = $\$640 - \$120 = \$520$