

# Teamwork Reporting Fed Qualified OT

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The current payroll export sends total regular hours and total overtime hours for the pay period, but does not distinguish between state-level daily overtime (for example in California: over 8 hours/day) and federally qualified overtime (over 40 hours/week) as defined under the OBB Bill. Payroll providers (such as ADP) require a dedicated memo code to record qualified overtime hours for the purposes of the overtime premium tax exclusion. Without this, accounts cannot correctly report the OT premium deduction in payroll, creating potential compliance exposure.

## New Behavior

- TW now calculates and exposes a distinct qualified overtime hours field representing hours worked over 40 in a workweek, separate from any state-mandated daily OT or any other non-qualified OT.
- This value is available in payroll mapping and CSV tokens
- Existing Overtime Fields remain unchanged. If they report total overtime. The NEW field is a layer on top.

## Broad impact

Any account processing payroll for hourly employees in California – or other states with daily OT rules – faces this gap and we are less competitive for labor compliance reporting in CA as this complicated calculation would need to be manually calculated.

## Tokens

Fed OT Hours = OT\_FED@

## Mapping

Use the Qualified Federal Overtime field. Existing overtime fields remain as set. This new field does not replace existing overtime fields.

Tipped Wage Hourly	R - Regular	▼
Tipped Wage Overtime	O - Overtime	▼
Tipped Wage Double Overtime	D - DOUBLE TIME	▼
Qualified Federal Overtime		▼

- Mapping is available for ADP, Paychex, Gusto

### **The following cases have been tested**

- Weekly / Bi-Weekly / Semi-Monthly pay frequencies
- Tokens
- Push to ADP WFN / Memo Code

### **Critical Discoveries during Pilots**

- Aligning systems - how each payroll will ingest the hours
- What wage is sent. For ADP, consistent with OT hours, TW sends the Base Rate and ADP calculates the OVERTIME PREMIUM, which is the critical datapoint.
- For all first-time cases, we must validate the wage format expected / align system / validate on payroll register.

INCLUDE ME PETER IN ALL PILOTS DURING THIS INITIAL PHASE

### **Other Notes**

- Fed OT does NOT appear on the screen report, only Tokens / Mapping
- We should raise this with CA restaurants whenever we can. The following talk track should be used.

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### **Merchant Facing Link:**

<https://support.dolceclock.com/help/qualified-overtime-federal-income-tax-deduction-reporting>

# New Tax Bill (BBB)

## **1) What the BBB actually changed**

The law created a **new federal income tax deduction for “qualified overtime”**.

- Workers can deduct **up to \$12,500** of qualifying overtime income (double for joint filers).

- But only a **specific portion of overtime qualifies**:
    - The **extra “half-time premium”** required under the federal **Fair Labor Standards Act (FLSA)**
    - Not the full overtime paycheck
  - And critically:
    - Overtime that exists **only because of state law (like California rules)** does **NOT qualify**
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## 2) Why this creates a reporting issue

Because of that distinction, employers now have to separate overtime into two buckets:

### ✓ Federally Qualified Overtime

- Required under federal law (FLSA: >40 hours/week)
- Eligible for the federal tax deduction

### ☒ Non-qualified overtime

- Overtime required only by state law
  - Not eligible for the deduction
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## 3) Why California businesses are especially affected

California has **much stricter overtime laws** than federal law, for example:

- Overtime after **8 hours in a day** (not just 40/week)
- Double time in some situations

Those extra rules mean:

☒ A large portion of overtime paid in California is **NOT “federally qualified”**

So employers must:

- Track which overtime hours are **federal vs. California-only**

- Report them separately (e.g., on payroll records, potentially W-2 breakdowns or supporting documentation)
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## 4) Why this matters for taxes

This separation matters because:

- Employees can **only deduct the federally qualified portion**
- If employers don't properly classify it:
  - Employees may **lose tax benefits**
  - Employers risk **incorrect reporting/compliance issues**

In short:

☒ The federal tax break **forces a new layer of payroll accounting detail**

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## 5) The practical impact

For California businesses, this means:

- Payroll systems must be updated to:
    - Identify FLSA overtime vs. CA overtime
  - Accounting and HR need to:
    - Track “qualified overtime” separately
  - Employees may:
    - Ask for breakdowns to claim deductions
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## Bottom line

There isn't a separate “California reporting law” in the BBB.

What's happening is:

- ☒ The federal tax deduction **only applies to FLSA overtime,**
- ☒ California has **extra overtime rules,**

☒ So businesses must **track and report overtime in a more detailed way** to support those federal tax deductions.

Pilot Tracking: [Fed Qualified OT – Pilot Log](#)