Does your bonus change the overtime you owe?

If you pay hourly (non-exempt) staff a bonus they could count on, federal law usually treats it as part of their pay rate. That means the overtime you already paid was a little too low, and you owe a small **overtime true-up**.

> **The rule in one line:** a bonus that is promised, announced or tied to work goes into the **regular rate**. Overtime is paid at 1.5 times that regular rate, not just 1.5 times the hourly wage.

Included or excluded?

Usually INCLUDED (true-up needed)
Attendance bonus (no missed shifts)
Production or sales bonus by a set formula
Quality, accuracy or safety bonus
Stay bonus: paid if still employed on a date
Bonus promised at hiring or in a written policy
Year-end bonus staff expect every year

May be EXCLUDED (keep a note why)
A gift whose amount is not based on hours, production or efficiency
A surprise bonus that was never announced
A true discretionary bonus (see below)
Some employee-of-the-month and referral awards

A bonus is discretionary only if all three are true

1. You alone decide **whether** to pay it, until at or near the end of the period.
2. You alone decide **how much**, until at or near the end of the period.
3. It is not paid under any promise, agreement or practice that makes staff expect it.

> The name does not decide it. Calling a bonus "discretionary" or "holiday" does not exclude it if staff were told about it or expect it. (DOL Fact Sheet 56C; 29 CFR 778.211)

This guide covers federal FLSA rules for non-exempt employees. It does not cover exempt salaried staff. Some states have stricter overtime rules; check your state labor office.

The math, step by step

One week: bonus paid for that week

1. Add all straight-time pay for the week plus the included bonus.
2. Divide by total hours worked. This is the **regular rate**.
3. Overtime hours = hours over 40 in that workweek.
4. Overtime premium = 0.5 × regular rate × overtime hours (straight time was already paid for every hour).

> **DOL example (Fact Sheet 56C):** $10 an hour × 43 hours = $430, plus a $50 bonus = $480. Regular rate: $480 ÷ 43 = $11.16. Half-time: $5.58 × 3 overtime hours = $16.74. Total due for the week: $480 + $16.74 = **$496.74**.

Several weeks: bonus paid later (the true-up)

When a bonus covers a quarter or a year, you can pay normal overtime first and add the bonus part once the amount is known (29 CFR 778.209). The extra overtime is:

> **Extra overtime = 0.5 × (bonus ÷ total hours in the period) × overtime hours in the period**

Type it into Excel or Google Sheets

Cell	What you type	Example
B1	Bonus amount	1200
B2	Total hours in the bonus period	2392
B3	Overtime hours in the period	312
B4	`=ROUND(0.5*B1/B2*B3,2)`	$78.26
B5	`=ROUND(B4*1.0765,2)` (with employer Social Security + Medicare)	$84.25

For one week with a bonus: `=ROUND(0.5*(Wage*Hours+Bonus)/Hours*MAX(0,Hours-40),2)`

In the workbook, the **Bonus OT Calculator** tab does this with 3 yellow inputs, and **Week Check** handles a single week with two rates or shift pay.

A bonus that covers many weeks

If you cannot tie the bonus to specific weeks, federal rules allow two reasonable ways to spread it (29 CFR 778.209(b)):

Per hour: assume an equal amount of bonus for every hour worked. Bonus ÷ all hours, × 0.5, × overtime hours.

Per week: assume an equal amount each week. Each week: (bonus ÷ weeks) ÷ that week's hours × 0.5 × that week's overtime hours.

Example A: restaurant cook, $390 quarterly attendance bonus

The bonus covers 13 weeks. Weekly hours are example values.

Week	Hours	OT hours	Extra OT: per hour	Extra OT: per week
1	45	5	$1.79	$1.67
2	42	2	$0.71	$0.71
3	40	0	$0.00	$0.00
4	38	0	$0.00	$0.00
5	46	6	$2.14	$1.96
6	44	4	$1.43	$1.36
7	40	0	$0.00	$0.00
8	40	0	$0.00	$0.00
9	48	8	$2.86	$2.50
10	40	0	$0.00	$0.00
11	36	0	$0.00	$0.00
12	42	2	$0.71	$0.71
13	45	5	$1.79	$1.67
Total	**546**	**32**	**$11.43**	**$10.58**

Per-hour method: $390 ÷ 546 hours = $0.7143 per hour; × 0.5 × 32 overtime hours = **$11.43**. Per-week method: **$10.58**.

Use one method consistently. If the bonus clearly belongs to certain weeks (for example a December-only sales bonus), use those weeks. The **Weekly Allocation** tab lets you type up to 26 weeks and pick the method.

Real-world cases and edge cases

Example B: nail salon tech, $1,200 year-end bonus promised in policy

46 hours a week for 52 weeks = 2,392 hours; 6 overtime hours a week = 312 overtime hours. $1,200 ÷ 2,392 = $0.5017; × 0.5 × 312 = **$78.26**; with employer Social Security and Medicare (7.65%) = **$84.25**. Five techs with the same pattern: $421.25.

Example C: dry cleaner presser, one week

44 hours at $16, a $0.75 evening differential for 12 hours, a $60 production bonus, and a $25 surprise gift.

Step	Math	Result
Straight-time pay	44 × $16 + 12 × $0.75 + $60	$773.00
Regular rate	$773 ÷ 44	$17.5682
Overtime premium	0.5 × $17.5682 × 4	$35.14
Total due	$773 + $35.14 + $25 gift (outside the math)	**$833.14**
If the bonus were left out	premium would be $32.41	$2.73 short

Edge cases

Situation	What to do
No overtime in the bonus period	True-up is $0. Keep the worksheet anyway.
Employee left before the payout	If they still receive the bonus, include their overtime weeks.
Part-year employee	Use only the weeks they worked in the period.
Two hourly rates in one week	Add all straight-time pay, divide by all hours (Week Check tab).
Shift differential	Part of straight-time pay; it raises the regular rate.
Same $100 gift card for everyone	May be excluded as a gift if not tied to hours or output.
Exempt salaried manager	Not covered by this guide.

Year-end timeline and checklist

When	What to do
November	List every 2026 bonus for hourly staff. Run each one through the Bonus Test.
Before payout	Write down the period each bonus covers and pull weekly hours from payroll.
Payout day	Pay the bonus. Calculate the overtime true-up with the workbook.
Once the amount is known	Add the true-up as overtime pay, for example on the next payroll.
Every payroll	Withhold and pay payroll taxes on the true-up like other wages.
January	Make sure year-end wage totals include the bonus and the true-up.

Checklist

1. List every 2026 bonus paid to hourly (non-exempt) staff.
2. Run each bonus through the Bonus Test.
3. Write down the period each bonus covers.
4. Pull weekly hours for that period from payroll records.
5. Add up hours over 40 in each week.
6. Calculate the true-up (Calculator or Weekly Allocation).
7. Pay it as overtime once the bonus amount is known.
8. Withhold and pay payroll taxes on it like other wages.
9. Keep the worksheet with your payroll records.
10. Check your state labor office for stricter state rules.
11. Next year: write the bonus rule down before you announce it.

> **Privacy:** the workbook never asks for SSNs, bank account numbers or passwords. Use first names or roles.

Common mistakes and sources

Common mistakes

Mistake	Fix
Calling a promised bonus "discretionary"	Use the three-part test, not the label.
Using 1.5 × the hourly wage only	Overtime is 1.5 × the regular rate, which includes the bonus.
Spreading the bonus over 2,080 hours	Divide by the hours actually worked in the period.
Counting daily hours over 8 as federal overtime	Federal overtime is hours over 40 in a workweek. Your state may add daily rules.
Forgetting staff who already left	If they get the bonus, include them.
Including a same-amount gift	A gift not tied to hours or output may be excluded; keep a note.
No record of the calculation	Save the workbook with payroll records.

Sources (checked November 16, 2026)

- US Department of Labor, Fact Sheet #56C: Bonuses under the FLSA (dol.gov/agencies/whd/fact-sheets/56c-bonuses)
- 29 CFR 778.209, Method of inclusion of bonus in regular rate (law.cornell.edu/cfr/text/29/778.209)
- 29 CFR 778.211, Discretionary bonuses (law.cornell.edu/cfr/text/29/778.211)

Disclaimer: This guide is for education only and is not tax, legal or payroll advice. It follows federal FLSA rules for non-exempt employees. State and local laws may require more. Confirm your situation with the US Department of Labor or your state labor office. No result is guaranteed.

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