Dear Clients,

The "no tax on overtime" provisions of the new **One Big Beautiful Bill Act** provide a deduction to your employees' taxable income for the premium portion of qualified overtime pay. This is essentially the "half" in "time-and-a-half" for hours worked over 40 in a week. In order to properly calculate the eligible overtime premium (i.e. the "half" in "time-and-a-half"), overtime must be broken out **by week** rather than as a single total for the entire pay period. This will be handled differently depending on the frequency of your pay and the method you use to input your time for payroll. Please see the chart below for further instruction:

Pay Frequency	Method of Time Input for Payroll	Action Items
Weekly	It does not matter the type of time input. All weekly payrolls will calculate the half-time premium automatically in isolved.	No action is required for any client who pays weekly. This will be handled automatically within the system.
Bi-weekly, Semi-monthly, Monthly	You use our iSolved Time & Attendance system.	No action is required if you use our iSolved time and attendance system and our iSolved payroll system. These calculations will be handled automatically within the system.
Bi-weekly, Semi-monthly, Monthly	You import a time file from another time system or TimeForce.	You must update your time import file. The update will be different depending on which time import file version you use. Please see examples below under File Import.
Bi-weekly, Semi-monthly, Monthly	You **manually** input your time into the payroll entry grid in iSolved.	When entering hours, you must designate which week the hours were worked. Please see examples below under **Manual Data Entry**.

File import - isolved Timecard Import1 version

This file format has each earning code on different rows. ***see example below**

*****You must update your import file and add a new column labeled "WeekNumber" and enter an appropriate value, if your pay period is any of the following:

- o **Biweekly employees** - The value must be **1 or 2**, indicating which week the hours were worked.

- o **Semi-monthly employees** - The value must be **1, 2, 3 or 4**, indicating which week the hours were worked.

- o **Monthly employees** - The value must be **1, 2, 3, 4 or 5,** indicating which week the hours were worked.

	A	B	C	D	E	F	G	
1	Legal	PayGroup	Key	Name	PayItem	Hours	WeekNumber	
2	SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey	EREG	40		1
3	SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey	EOT	2.75		1
4	SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey	EREG	40		2
5	SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey	EOT	10.25		2
	SLBTRAIN2	Biweekly	1040	simpson, jennifer				

File import - isolved Timecard Import2 version

This file format has each earnings code as different columns. ***see example below**

***** You must update your import file to add an additional week column for each earnings code. E_x_WeekNumber (where X represents the earnings code) **and enter an appropriate value, if your pay period is any of the following:**

- o **Biweekly employees** - The value must be **1 or 2**, indicating which week the hours were worked.

- o **Semi-monthly employees** - The value must be **1, 2, 3 or 4**, indicating which week the hours were worked.

- o **Monthly employees** - The value must be **1, 2, 3, 4 or 5,** indicating which week the hours were worked.

A	B	C	D	E	F	G	H	I	J
Legal	PayGroup	Key	Name	LaborValue2	LaborValue1	E_Regular_Hours	E_Regular_WeekNumber	E_OT_Hours	E_OT_WeekNumber
SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey			40	1	2.7	1
SLBTRAIN2 3	Biweekly	1008	Watson, Humphrey			40	2	10.2	2

Manual Data Entry

When entering hours, you must designate which week the hours were worked. See examples below from **the Time Entry Grid** and/or the **Individual Time Entry screen.**

Time Entry Grid
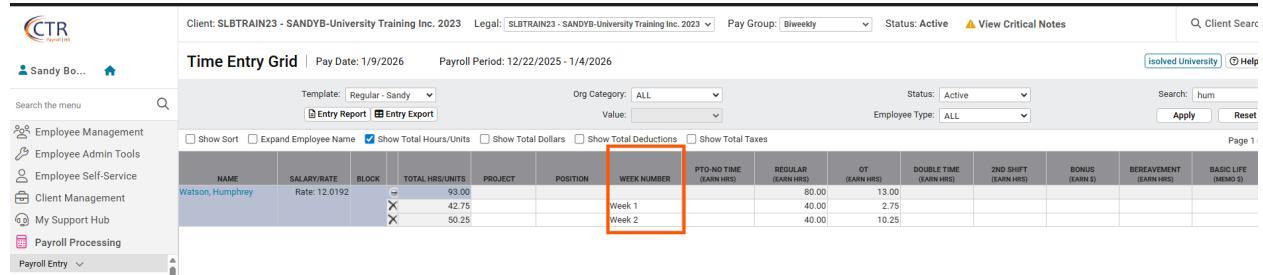
NAME	SALARY/RATE	BLOCK	TOTAL HRS/UNITS	PROJECT	POSITION	WEEK NUMBER	PTO-NO TIME (EARN HRS)	REGULAR (EARN HRS)	OT (EARN HRS)	DOUBLE TIME (EARN HRS)	2ND SHIFT (EARN HRS)	BONUS (EARN $)	BEREAVEMENT (EARN HRS)	BASIC LIFE (MEMO $)
Watson, Humphrey	Rate: 12.0192		93.00					80.00	13.00					
			42.75			Week 1		40.00	2.75					
			50.25			Week 2		40.00	10.25					

Individual Time Entry
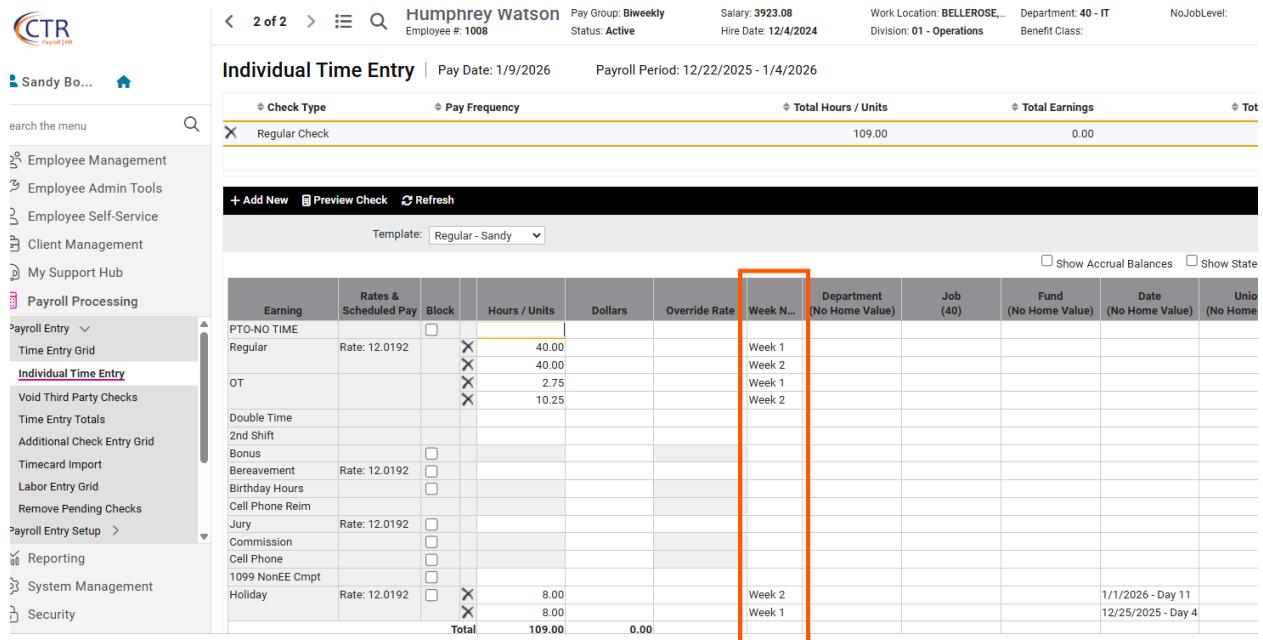
Individual Time Entry | Pay Date: 1/9/2026   Payroll Period: 12/22/2025 - 1/4/2026

Humphrey Watson Pay Group: Biweekly Salary: 3923.08 Work Location: BELLEROSE,... Department: 40 - IT NoJobLevel:
Employee #: 1008 Status: Active Hire Date: 12/4/2024 Division: 01 - Operations Benefit Class:

Check Type	Pay Frequency	Total Hours / Units	Total Earnings	Tot
Regular Check		109.00	0.00	

Template: Regular - Sandy

Earning	Rates & Scheduled Pay	Block	Hours / Units	Dollars	Override Rate	Week N...	Department (No Home Value)	Job (40)	Fund (No Home Value)	Date (No Home Value)	Unio (No Home
PTO-NO TIME											
Regular	Rate: 12.0192		40.00			Week 1					
			40.00			Week 2					
OT			2.75			Week 1					
			10.25			Week 2					
Double Time											
2nd Shift											
Bonus											
Bereavement	Rate: 12.0192										
Birthday Hours											
Cell Phone Reim											
Jury	Rate: 12.0192										
Commission											
Cell Phone											
1099 NonEE Cmpt											
Holiday	Rate: 12.0192		8.00			Week 2				1/1/2026 - Day 11	
			8.00			Week 1				12/25/2025 - Day 4	
Total			109.00	0.00							

To properly capture the overtime premium for your employees' 2026 payrolls, you will want to ensure that you begin using the new methods identified above **for all payrolls beginning the first payroll in 2026.** For impacted clients, these Week Number column will be available by December 26th.

What happens if you do not make the recommended changes before your 1ˢᵗ payroll in January?

If you do not make the changes, you can continue to process your payroll the same way you have been but your employees' overtime premium pay (i.e. the "half time") may be under-stated or over-stated for tax purposes until you make the change.

Will these changes impact my employees' pay or paystubs?

No. Your employees will see no change to their paystubs or their pay. This is simply a "behind the scenes" calculation so that the OT premium will be reported on the employees' 2026 W2s correctly.

Please Note--- Those customers who are a weekly pay or who use our iSolved Time system for time and attendance do not need to manually break out Week 1 and Week 2 hours for their normal time entry process. If you do not currently use our time system and are interested in automating this process, please reach out to dante.pagliarulo@ctrhcm.com.

We understand that for some of you this new method of inputting or importing time is not ideal. We have been continuously monitoring IRS updates hoping for some additional last-minute guidance to simplify this process for employers or to provide reporting relief for 2026. Unfortunately, no further direction or guidance has been provided. If anything changes, we will notify our clients immediately.

We are planning a webinar on December 23ʳᵈ for any clients who have additional questions on how to input time and any further compliance questions.

We will post the invitation on the client landing page and will also send via email.

Thank you for being a great Partner.

CTR Payroll | HR