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# OBBBA OT Compliance Checklist

**Not all overtime is created equal — at least not according to the IRS. This checklist helps K-12 payroll and HR teams work through the OBBBA requirements, audit their current setup, and get the right figures to the right people before W-2 season hits.**

## Understand the law

- [ ] Identify all non-exempt hourly employees who may have qualifying OT (custodians, paraprofessionals, bus drivers, food service workers, and secretarial staff).
- [ ] Confirm you know only overtime earned through actual hours worked beyond 40 in a week qualifies for the OBBBA federal income tax deduction.
- [ ] Note that holiday pay, personal days, and paid sick leave do not count toward the FLSA 40-hour threshold under the OBBBA — even if they count under your CBA.
- [ ] Understand that weekend premium pay and daily overtime do not qualify until the employee has actually crossed 40 hours worked in the week.
- [ ] Recognize that W-2 Box 12, code "TT" reporting is required starting with the 2026 tax year. The IRS offered transition relief for 2025, but 2026 is a hard requirement.

## Audit your overtime configuration

- [ ] Review how your district's collective bargaining agreement defines overtime compared to how the FLSA defines it.
- [ ] Confirm whether absences, holidays, or other non-worked time currently count toward your OT threshold in your payroll or workforce system.
- [ ] Identify any employees who received overtime pay triggered by paid leave but never actually worked beyond 40 hours in the week.
- [ ] Flag the gap: any overtime reported in prior pay periods that included absence-driven OT may need to be reclassified before year-end.

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## Run the Actual Hours Worked Overtime Report in Red Rover

- [ ] Navigate to Reports > Time Tracking, then select Actual Hours Worked Overtime.
- [ ] Select your date range and click Run. Uncheck "Include Comp Time in Export" to simplify the output if needed.
- [ ] Review the Qualifying Deductible Overtime Hours column — this is the FLSA-mandated overtime eligible for the W-2 Box 12 deduction.
- [ ] Export to a spreadsheet to sort by employee and filter for weeks with discrepancies between compensated and actual overtime.
- [ ] If Qualifying Deductible Overtime Hours equals zero for an employee who received overtime pay, confirm whether absences inflated their total hours.

## Coordinate with your payroll processor

- [ ] Brief your payroll processor on the W-2 Box 12, code "TT" reporting requirement and share the IRS guidance.
- [ ] Confirm your payroll vendor's system can receive qualified OT figures from Red Rover and map them correctly to Box 12.
- [ ] Establish a pay-period cadence for sharing qualified OT data with payroll — don't wait until year-end.

## Prepare for year-end

- [ ] Connect with the Red Rover support team to review how your district's OT configuration interacts with the OBBBA eligibility calculation.
- [ ] Document your district's OT classification methodology in writing for audit purposes.
- [ ] Confirm your payroll vendor's process for issuing corrected W-2s if any prior pay periods need to be amended.
- [ ] Verify that your process is set — every pay period processed without proper classification in 2026 creates rework before year-end.