

FINANCECALS - 2026 PAYSTUB AUDIT CHECKLIST

Form W-2 Box 12 Code TT Statutory Verification Protocol

AUTHORITY: One Big Beautiful Bill Act | IRC Section 62(a) | FLSA 29 U.S.C. Section 207

1. Purpose & Statutory Rule

Beginning in tax year 2026, covered hourly workers may deduct the qualified overtime premium portion from federal taxable income (up to \$12,500 Single / \$25,000 Joint). Under FLSA Section 7(a), only the half in time-and-a-half (0.5x premium) is eligible. Employers must report this compensation on Form W-2, Box 12, using Code TT.

2. Employee Paystub Audit Action Items

- [] **Step 1: Verify Hours Over 40: Check your weekly paystub to confirm overtime hours** are broken out separately from regular 40-hour base pay.
- [] **Step 2: Confirm Overtime Pay Rate: Ensure your overtime wage is calculated at no less** than 1.5x your regular rate of pay (\$1.0x base + \$0.5x premium).
- [] **Step 3: Cumulative Year-To-Date Audit: Track cumulative overtime premium pay earned** through your final December paystub to anticipate your Box 12 Code TT figure.
- [] **Step 4: Employer Payroll Confirmation: Submit the formal notice below to your HR** department to confirm their payroll software is updated for 2026 Code TT reporting.
- [] **Step 5: Form 1040 Schedule 1 Entry: When filing your return in early 2027, ensure** Code TT is transferred directly to Schedule 1 as an above-the-line deduction.

3. Formal Notice Template to Employer / Payroll Department

TO: Payroll Department / Human Resources

FROM: [Employee Name / ID: _____]

DATE: [Date: _____]

SUBJECT: Compliance with Form W-2 Box 12 Code TT (Qualified Overtime Reporting)

Please confirm that our company payroll system has configured IRS Box 12 Code TT reporting for the 2026 tax year. As a non-exempt hourly employee, I am requesting that my year-end Form W-2 accurately reflects all qualified overtime premium earnings under the One Big Beautiful Bill Act so that I may claim my deduction on Form 1040.