

THE 8-STEP PTO POLICY CHECKLIST

A comprehensive guide to designing a fair, flexible, and compliant policy.

Company Name: _____

Date Reviewed: _____

1 Eligibility & Basics

Define exactly who qualifies for time off.

- Employment Type:** Define access tiers for full-time, part-time, and contract workers.
- Waiting Periods:** Establish the probationary period for new hires (e.g., 30, 60, or 90 days) before time off can be used or accrued.
- Proration Rules:** Outline exactly how balances are calculated for employees who join midway through the calendar or fiscal year.

2 Leave Categories & Structure

Decide how you will group the time off. Consolidated PTO or separate categories?

- Model Selection:** Choose between separate categories (Vacation, Sick Leave, Personal Days) or a consolidated "bank" approach.
- Specific Uses:** If using separate categories, clearly define acceptable reasons for each (e.g., jury duty, bereavement, mental health days).
- Paid vs. Unpaid:** Clearly distinguish which leave categories are paid and which are unpaid.
- Weekend Inclusion:** Clarify that weekends/holidays are not counted as PTO when taking a continuous block of leave (only scheduled workdays are counted).
- Increments of Use:** Are employees permitted to use PTO in half-day increments or smaller (e.g., hourly)?

3 Accrual & Time-Off Allocation

Determine how employees get their time. Fixed allowance upfront or earned gradually?

- Allocation Tiers:** Establish exact day amounts based on tenure or designation (e.g., 10 days for Year 1, 15 days for Year 5) to encourage retention.
- Total Time Granted:** Document exactly how many days/hours will be granted annually for each leave type.
- Lump Sum vs. Accrual:** Decide if the full allocation is granted upfront (Jan 1st / work anniversary) or accrued gradually.
- Accrual Rates & Periods:** If earning gradually, define the formula (e.g., hours earned per pay period) and frequency (e.g., bi-weekly, monthly).
- Overtime/Weekend Adjustments:** Decide if employees accrue additional PTO for working overtime or weekends.
- Negative Balances:** Are negative PTO balances allowed (i.e., employees using more PTO than they have accrued)?

4 Carryover & Year-End Rules

Establish year-end rules. Rollover permitted, or strict "use it or lose it" policy?

- Rollover Caps:** State the exact number of hours or days permitted to carry into the new year.
- Accrual Caps:** Establish maximum earning limits to prevent excessive balance hoarding.
- Expiration Dates:** Set deadlines for when rolled-over time must be used (e.g., "must use by March 31st").
- Lapsation:** If no carryover is permitted beyond a certain limit, clarify that unused PTO lapses.
- Year-End Encashment:** Is there an option to cash out a portion of unused PTO at year-end? If so, what is the limit?

5 Approval Process

Set the ground rules for requesting time off and securing coverage.

- Notice Periods:** Create a sliding scale for notice (e.g., 2 weeks' notice for 5+ days off, 48 hours for a single day).
- Coverage Rules:** Detail the maximum number of employees per department who can be on leave simultaneously.
- Blackout Dates:** Identify any critical business periods (e.g., major product launches or year-end closing) where PTO is restricted.
- Conflict Resolution:** Define how overlapping requests are handled (first-come, first-served vs. seniority).

6 Separation & Payouts

Define what happens to unused PTO when an employee leaves the company.

- Termination Payout Policy:** What is the policy for paying out unused PTO upon an employee's termination?
- Separation Types:** Clarify if payouts differ between voluntary resignation and termination with cause (subject to local laws).
- Calculation Method:** Outline the exact formula for converting unused time into cash upon separation.
- Negative Balance Recoupment:** If an employee quits or is terminated with a negative PTO balance, detail how the company will recoup the cost (e.g., deduction from final paycheck).
- Sick Leave Payout:** Specify whether unused sick leave or personal days are eligible for payout (typically they are not, but policies vary).

7 Legal & Compliance

Ensure rules align with federal, state, and local labor laws.

- State-Mandated Sick Leave:** Verify minimum hour requirements for the specific locations where your team operates.
- "Use-It-Or-Lose-It" Bans:** Ensure compliance with states (like California, Colorado, etc.) that classify accrued PTO as earned wages and prohibit expiration.
- FMLA & Statutory Leave Alignment:** Ensure your policy aligns with the Family and Medical Leave Act, as well as local required leaves (voting leave, domestic violence leave, etc.).
- Ongoing Review:** Commit to regular audits (e.g., annually) to ensure the policy remains compliant with evolving laws and company needs.

8 Tracking & Software

Modernize how you monitor balances and process requests.

- System Selection:** Choose a centralized tracking tool, like [OfficeClip Time-Off Software](#), to replace manual spreadsheets.
- Employee Self-Service:** Ensure staff can easily check their current and projected balances without contacting HR.
- Integrations:** Confirm the tracking software syncs seamlessly with your payroll systems and team calendars.