Regular rate of pay consulting and compliance services

KPMG Employment Tax Services

The challenge

Calculating the regular rate of pay (RRP) for overtime and compliance purposes can be a daunting task for employers. The Fair Labor Standards Act (FLSA) and varying state laws introduce layers of complexity, especially when determining what constitutes overtime or double time and the rates at which these wages should be paid. This challenge is further compounded in the evolving labor market, where collective bargaining agreements (CBAs) may require employers to calculate wages differently from FLSA or state regulations. Inaccuracies in wage calculations can lead to significant issues, including incorrect withholding, inaccurate W-2 reporting, and improper net pay to employees.

Some common challenges for employers:

- Complex federal and state RRP calculation requirements
- Impact of CBA on RRP calculations that differ from federal and state requirements
- Errors in RRP and premium earnings calculations
- Inaccurate wage withholding and Form W-2 reporting
- Improper net pay to employees

The KPMG solution

KPMG Employment Tax Services offers guidance and thorough solutions to help confirm accurate wage calculations and compliance reporting with FLSA, state laws, and CBAs. Our team helps navigate the complexities of employment tax, reducing the risk of errors and helping ensure that your organization meets its fiduciary duties and reporting obligations.

Our services include:

- Consulting on federal and state RRP calculation requirements
- Thorough reviews of timesheets, payroll mapping, and earnings codes
- Recalculation of RRP and exposure analysis for specific pay periods or employees
- Assistance with One Big Beautiful Bill reporting requirements.

Our approach:

Analyze

Conduct a thorough review of your organization's timesheets and payroll processes to identify potential discrepancies and areas of risk.

Evaluate

Assess the impact of how time is entered by employees on payroll and review each earnings code for inclusion in the RRP under FLSA and state rules.

Build

Prepare detailed recalculations for specific pay periods or employees to help ensure the accuracy of the RRP and premium earnings.

Finalize

Provide clear recommendations and support for recalculation of federal, state, and local taxes, as well as net under- or overpayment of wages.

Report

Assist with the accurate reporting of "qualified overtime wages" as required by the One Big Beautiful Bill, effective January 1, 2025.

We provide:

Skilled guidance

Our team provides in-depth knowledge and support on FLSA and state-specific regulations.

Thorough reviews

We offer detailed analysis of timesheets and earnings codes to enhance compliance and accuracy.

Recalculation and exposure analysis

We help identify and correct past wage calculation errors, reducing exposure to financial and legal risks.

Regulatory compliance

We assist with accurate reporting of "qualified overtime wages" to meet the One Big Beautiful Bill requirements.

Forward-thinking approach

At KPMG, we understand that effective employment tax and wage calculation management requires a strategic, long-term perspective. Our integrated approach is designed to align with your organization's overall compliance and risk management strategy, providing specialized consulting and compliance services while helping you anticipate and plan for regulatory changes and labor market dynamics.

By working with us, you can confidently navigate the complexities of employment tax, helping ensure your organization remains resilient and compliant. We leverage our knowledge in FLSA and state laws to help optimize employment tax compliance, minimize financial and reputational risks, and ensure accurate wage calculations.

This reduces errors in wage reporting, withholding, and Form W-2 reporting and helps identify and correct past discrepancies, resulting in employees receive the correct net pay.

Our support also extends to preparing your organization for upcoming regulatory changes, including the One Big Beautiful Bill reporting requirements, to facilitate accurate and compliant Form W-2 reporting. By working with KPMG, you can focus on core business objectives while knowing that your employment tax and wage calculations are handled with utmost accuracy and compliance.

KPMG US does not provide legal services. These services are limited to the calculation and reporting of wages and payroll taxes and do not extend to labor law advice or services.

Contact us

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