

# Paid Time Off (PTO) Policy Template

*[TEMPLATE NOTE: First, remove all “template notes” when you have completed your PTO policy write up. These notes are in blue and easy to identify. They should be used for guidance as you develop your policy.]*

*Additionally, you should have clear policies for your employees to follow, thus, you do not want to merge multiple policies into one. Your PTO policy should describe accrued, non-specific paid time off (e.g., vacation and, in many cases, sick time). You should not conflate other leave policies into this one, as some are paid and/or required, when others are not. Examples of these other leaves may include jury duty or voting leave, which are legally guaranteed by several states now.*

*In some instances, an employer is not only required to provide employees a certain kind of leave but must also pay the employee for their time away from the workplace. An employer may also be prohibited from requiring employees to take paid vacation or sick leave as a substitute for other types of leave, such as jury duty leave and voting leave.*

*Company paid holidays should also maintain their own policy in the employee handbook. Recognized paid company holidays (e.g., New Year’s Day, Memorial Day, Independence Day, Thanksgiving, etc.) should not consume an employee’s PTO hours and, therefore, should not be present in this policy.]*

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**<COMPANY NAME>**

## PAID TIME OFF (PTO) POLICY

**<Company Name>** is committed to supporting its employees in as many ways as possible. Personal time off from the workplace is important to overall employee production and both mental and physical health. As such, we have created the following Paid Time Off (PTO) policy, which is effective on (insert date).

*[TEMPLATE NOTE: Some companies roll sick leave into their PTO policy. If a company maintains a robust PTO benefit, it is also, by default, complying above and beyond what many state and city sick laws require.]*

## **ELIGIBILITY TO ACCRUE**

You are eligible to earn/accrue PTO if you are a regular status employee routinely scheduled to work at least (30 hours) per week. Part-time employees working more than (30 hours) per week accrue PTO on a prorated basis, depending on the number of hours worked. Employees begin accruing PTO on their first day of employment.

*[TEMPLATE NOTE: 30 hours per week aligns most consistently with the Affordable Care Act (ACA).]*

## **ELIGIBILITY TO USE**

Generally, you may use earned PTO hours after completing your Introductory Period (or your first 90 days). In some cases, arrangements are made with employees prior to hire. Any arrangement must be made in writing with either the (list the management personnel who can approve such arrangements) prior to employment (or stated in the Offer Letter for Employment).

## **PTO APPROVAL PROCESS**

Every effort will be made to grant an employee's PTO-vacation preference, consistent with our operating schedule. However, if too many people request the same period of time off, the organization reserves the right to choose who may take PTO-vacation during that period. PTO-vacation requests must be submitted to an employee's manager (as early as possible, or make a required period of time—two weeks as an example—prior to the time off).

## **ACCRUAL GUIDELINES**

The amount of PTO you accrue each year is based on your length of service and accrues according to the **ACCRUAL SCHEDULE FOR FULL-TIME EMPLOYEES** chart below. PTO is accrued as you work. You will not accrue PTO time while you are on leave of absence or if you are suspended by the organization. Holidays falling within an employee's scheduled PTO will not be charged against PTO.

## ACCRUAL SCHEDULE FOR FULL-TIME EMPLOYEES

Note: For the purposes of this policy, the time accrual calendar is aligned with the organization's fiscal year ([Write the beginning and ending dates of your company's fiscal year](#)).

Years of Service	Days Accrued	Hours Accrued Annually	Maximum Accrual (1.5 Times Annual Rate)
0-2 Years	10 Days	80 Hours	120 Hours
3-4 Years	15 Days	120 Hours	180 Hours
5-9 Years	20 Days	160 Hours	240 Hours
10 (+) Years	25 Days	200 Hours	300 Hours

*[TEMPLATE NOTE: These accrual ranges are just examples. There are no legal requirements for you to offer PTO benefits. You may select the accrual rates that fit your needs and capacity.]*

## MAXIMUM TIME ACCUMULATED AND ROLLOVER

Although you may carry over unused PTO time from year to year, there is a cap on the amount of PTO time you can accumulate. This encourages you to use your PTO and allows the company to manage its financial obligations responsibly. Once you reach your cap, you will not accumulate any more PTO until you utilize enough PTO in your account to drop below the cap (your supervisor will partner with you to assist in scheduling PTO in order to avoid "capping out" as described). After your balance goes below the cap, you will begin accruing PTO again; however, you will not receive retroactive credit for time worked while you were at the cap limit. **PTO accrual is capped at 1.5 times your annual PTO accrual rate.**

*[TEMPLATE NOTE: You may change the rate of cap out.]*

*Also, here's a comment regarding carry over or "rollover" earned but unused PTO time: Several states require employers to roll over a certain number of hours if the employee has earned them. The old standard of "use them or lose them" is becoming less popular, and in some states, it is illegal.]*

## MANAGEMENT OF PTO

You are responsible for managing your PTO account. It is important that you plan ahead for how you will use it. This means developing a plan for taking your vacations, as well as doctor's appointments and personal business. It also means holding some time in "reserve" for the unexpected, such as emergencies and illnesses.

## MINIMUM INCREMENTS OF PTO

The minimum amount of PTO you can use at one time depends on whether you are an exempt or a non-exempt status employee. If you are non-exempt, you may not take less than one hour off at a time. If you are an exempt status-employee, you must take PTO in increments of not less than one-half day.

*[TEMPLATE NOTE: You may change the minimum increments of PTO used at a single time. Note though that Exempt staff typically can utilize PTO in half-day segments; anything smaller typically is not recorded as PTO.]*

## NOTICE AND SCHEDULING

You are required to provide your supervisor with reasonable advance notice and obtain approval prior to using PTO. This allows for you and your supervisor to prepare for your time off and assure that all staffing needs are met. There may be occasions, such as sudden illness, when you cannot notify your supervisor in advance. In those situations, you must inform your supervisor of your circumstances as soon as possible.

**PLEASE NOTE:** Our organization's PTO program does not replace the organization's holiday schedule. We will continue to have designated paid holidays each year.

## TERMINATION OF EMPLOYMENT

Employees will be paid for all accrued, unused PTO when employment ends. Paid out PTO will be sent along with the employee's final paycheck.

*[TEMPLATE NOTE: Some states require the payout of unused PTO when an employee quits or is terminated. In this case you will be required to follow your state's laws. However, if you operate in a state that does not require payout of unused PTO you can remove this statement or make a statement like 'At the time of termination, any accrued, unused PTO will be lost. Except where state laws require, PTO will not be paid out at the end of employment.']*

## SICK LEAVE FOR (LIST STATE(S))

<COMPANY NAME>, in alignment with (insert state(s) law(s)), will provide (insert amount of time) sick leave. Your sick leave will reset on January 1 every year or on your employment start date anniversary (select one, depending on what the state sick leave law requires).

Sick leave is defined as when you are ill and unable to come to work. Sick leave in excess of 48 hours may require a doctor's note. Personnel should call in each day of sick leave by (insert time from above).

(Optional) Sick leave may also be used when an employee needs to care for an ill family member, such as a child who is sick. Similar to above, sick leave for a dependent in excess of 48 hours may require a doctor's note.

*[TEMPLATE NOTE: We strongly advise you to seek legal counsel in this area when constructing your PTO and/or sick policies. **We also recommend starting with the Department of Labor (DOL) state Labor Office resource link: <https://www.dol.gov/agencies/whd/state/contacts>. This will save you hours of searching around the DOL sites looking for your answers.***

*Currently, there are no federal legal requirements for paid sick leave. However, for companies subject to the Family Medical Leave Act (FMLA), this Act does require unpaid sick leave. FMLA provides for up to 12 weeks of unpaid leave for certain medical situations for either the employee or a member of the employee's immediate family. In many instances, paid leave may be substituted for unpaid FMLA leave. If you are required to adhere to the FMLA, it should be its own stand-alone policy within your handbook. Do not merge it with your PTO policy.*

*Sick leave laws are often tied in with other required leave laws such as the Family Medical Leave Act (FMLA) as well as state equivalents to the FMLA. Do not be surprised if the text that you cut and paste into your PTO policy is equivalent to the length of the PTO policy itself. These narratives, as with California's sick leave requirements, can be lengthy and detailed.]*