And the Award for the Worst Payroll Blunders Go To...

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Forget about the Oscars, the Grammys, and all those other awards ceremonies. We've got something more exciting for you this awards season! It's time to hand out the statues – OK, fine, there are no actual statues – for the worst payroll blunders. Welcome to this year's Paystakes (get it? payroll? mistakes?), where the stakes could not be higher (yes, more wordplay). That's because messing with people's compensation can often lead to a major mess for organizations. Speaking of, the reason we are not doling out these awards to specific businesses is not that we couldn't find any that committed payroll errors. It's because there were simply too many nominees to choose from. Given that 82 million Americans – more than half the U.S. workforce – have experienced problems with their paychecks, it's clear that payroll mishaps are all too common. As is the frustration and confusion that often accompany them. And we're not just talking about annoyed employees and frazzled HR practitioners.

There's also the risk that the U.S. government might catch your mistake, and Uncle Sam is the last person you want handing you a Paystake award. Avoiding payroll errors starts with figuring out why they are apt to happen in the first place. To do that, it's time to hand out some Paystakes.

The Award for "Most Common Mistake" Goes To ...

... the 10 to 30 percent of audited companies that have miscategorized workers. Indeed, the problem is so common because it can be tough sometimes to figure out if someone is an employee or an independent contractor (freelancer). When hiring workers, this is one of the most important things to get right because the Fair Labor Standards Act (FLSA) covers only employees. Why is that so important? If you misclassify a worker, that person might subsequently receive the wrong wages. Plus, the government may miss out on tax revenues. Again, short-changing a worker is bad enough. Denying the IRS it's due is a whole other story. You best believe that if the IRS or DOL audits you in this area, it will likely find something. As a result, the government may force you to pay the employee's and employer's share of taxes, penalties, interest, and possibly back wages. To ensure that your business doesn't get this Paystake, check out the IRS' guide on distinguishing between independent contractors and employees.

The Award for "That Other Common Mistake" Goes To ...

... companies that sometimes fail to realize the significance of people earning $455 per week, or $23,660 per year. That's the pay level that partially determines if employees are exempt under FLSA guidelines. If employees are below this pay level, they are considered nonexempt, and if they are above it, they are considered exempt. Under FLSA, an exempt worker is excluded from requirements relating to minimum wage and overtime pay. Simply put, someone must earn a salary (rather than get paid hourly) regardless of how many hours that person puts in per week. Additionally, to qualify for an exemption, the individual must make no less than $23,660 per year ($455 per week). Plus, the person's primary duties must be in an executive, administrative, professional, or specific sales capacity. What constitutes primary duties? There's no true definition. The best that can be said is that the more time a person spends performing such work, the more likely that person will be considered exempt. Unless it's a blue-collar worker. Mechanics, plumbers, construction workers, and other people who perform repetitive physical work are always considered nonexempt. The most practical implication of this is that they always qualify for overtime pay, regardless of how much they earn. Finally, it's critical to point out that the pay thresholds mentioned above – commonly referred to as the overtime rule – are constantly in flux as different government factions push to adjust them. Be sure to watch the news and check with an employment attorney to make sure you're complying with the latest requirements. Also, have a look at the U.S. Department of Labor's fact sheet on an exemption to be sure that you're paying people correctly.

The "Over It" Award Goes To ...

... businesses that don't pay correctly for overtime. Exempt workers are salaried, so you can demand that they work 20-hour days without having to pay them extra. (They'll love you for it, too.) However, FLSA rules covering nonexempt employees require you to pay people 1.5 times their regular hourly rate for time worked beyond 40 hours a week. (A workweek is any fixed, recurring period of 168 consecutive hours, or 7 days x 24 hours). It's vital to remember this, too: If an employee *voluntarily* works overtime – even without your approval – you still have to pay that person accurately for the extra hours worked. The caveat here is that you have the option to reprimand someone for working overtime without prior permission. Check out the Department of Labor's guide to overtime pay to make sure you don't get this Paystake.

The "Gimme a Break" Award Goes To ...

... businesses that fail to comply with the patchwork of state laws that specify compensating nonexempt workers for breaks that involve eating or resting. Usually, breaks lasting between 5 and 20 minutes are compensable. However, you don't have to pay people for taking breaks (such as those for lunch) that are 30 or more minutes. But, if an employee does any work during a bona fide break – like typing a three-second email reply – then that is considered compensable time. This is the case even if your policy forbids working during a break. But – yes, another one – just as with unapproved overtime, you have the ability to discipline people for violating your rules. You can learn more about rest breaks by checking out the Society for Human Resource Management's state-by-state breakdown.

The "Call Me Maybe" Award Goes To ...

... employers that don't pay nonexempt employees whom they ask to be on-call when doing so restricts personal activities. What does it mean to "restrict" someone? Generally, the less freedom a person has to go about their day while on standby, the more likely it is that you must compensate the individual. It's also important to be aware that you need not to pay a worker who arrives early and then has to wait for a shift to start. But should that person decide to work rather than wait, as, in previous examples, you'll have to pay that employee for that time. What's more, depending on the state, you might even have to compensate a worker who shows up for a scheduled shift and is then sent home because there's no actual work to do that day. Of course, there are many other Paystakes we could give out, but let's face it – awards ceremonies are long enough as it is. The moral behind all of these awards is that it always helps to check with an employment attorney and work with trusted HR advisors and vendors to avoid costly payroll errors. Because when it comes to payroll, it's actually *not* an honor to be nominated for a Paystakes award.

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