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MEMORANDUM

TO: All Payroll/Personnel Officers

FROM: Kathleen D. Baxter
State Comptroller 

DATE: January 12, 2024

SUBJECT: Overtime Pay Exemption – House Bill 217

In the 2023 Legislative Session, House Bill 217 was enacted as Act 2023-421. The Act excludes overtime pay received by full-time hourly wage paid employees for hours worked above 40 in any given week from gross income and exempts the amount from Alabama state income tax. The exemption is available for overtime paid beginning on or after January 1, 2024, and prior to June 30, 2025. The following changes have been made in Payroll and are effective on the January 16, 2024, pay date.

- A new pay event (OTHRE) has been created in GHRS to compensate full-time hourly wage-paid employees for hours working above 40 in a week and is effective pay period 12/16/23.
- The new time and one-half overtime pay event (OTHRE) has been added to the HOUR pay policy in GHRS effective 12/16/23.
- The time and one-half overtime code (OTIME) has been expired for the HOUR pay policy in GHRS effective 12/15/23.

Employees in the HOUR pay policy who are paid overtime for hours worked in excess of 40 hours in a week should be paid OTHRE, not OTIME. All other employees who are paid overtime and are not eligible for this exclusion should continue to be paid overtime using the original OTIME pay event.

A list of frequently asked questions published by the Alabama Department of Revenue is attached to further assist you with questions related to the exemption.

For questions regarding the new pay code, contact the Comptroller's Office Payroll Hotline 242-2188 or email comptroller--ghrs@comptroller.alabama.gov.

KDB/dws

Attachment: *Guidance Provided by Alabama Department of Revenue, FAQs Overtime Exemption*