



Lauterbach & Amen

Annual Payroll & Taxability Training

December 12, 2025

9:00am – 12:00pm

Actuarial Services

Audit Services

Client Accounting
& Advisory Services

Pension Services

Tax Services

Meet Today's Presenters



**Tim
Gavin**
Principal



**Megan
Holford**
Partner



**Erika
Smith**
Principal



**Evan
Stahlman**
Principal

Payroll Services

- L&A provides a full suite of payroll services:
 - Fully outsourced payroll with remote or on-site processing
 - Back-office payroll processing and direct deposit/check distribution
 - Employee self-service portal
 - Monthly, quarterly and annual tax/regulatory filings
 - Integrated timekeeping, scheduling, and HR management software through Swipeclock Workforce Management
 - Special projects, including IRS notice response, tax compliance reviews, and retroactive wage calculations

Agenda

- OBBBA – No Tax on Overtime
- 1099 / W-2 Overview
- Fringe Benefits & Taxability
- HR Hot Topics, Compliance, and Best Practices





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OBBBA - No Tax on Overtime

The Only Hot Topic

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Tax Services

No Tax On Overtime

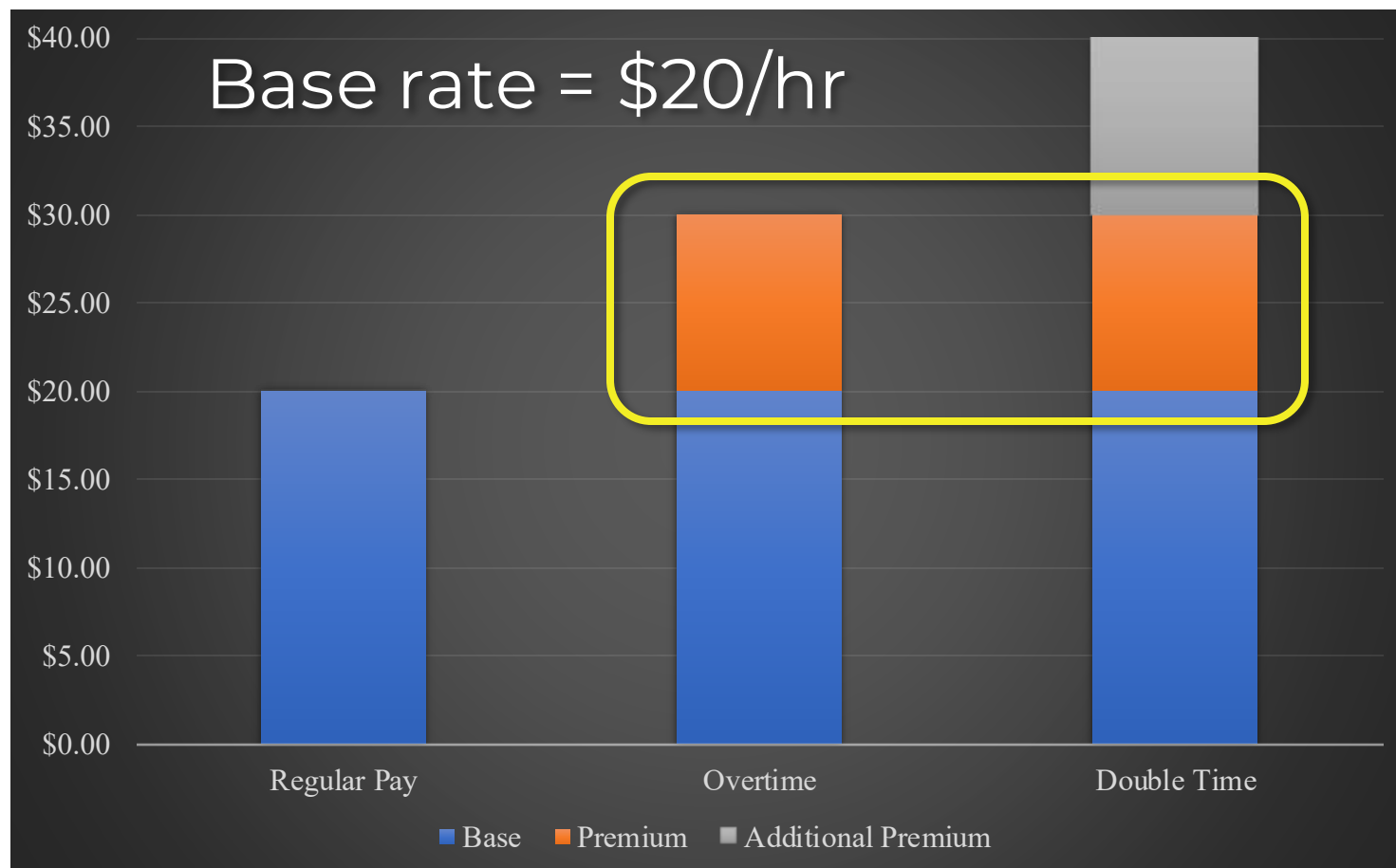
- Signed into law on July 4, 2025
- RETROACTIVE to January 1, 2025
- Tax deduction taken on employee personal 1040 return
 - Maximum deduction of \$12,500 (\$25,000 if married filing jointly)
 - Phase out for AGI > \$150,000 (\$300,000 for joint filers)
 - Fill out Schedule 1-A

What about employers?

- Must report qualified* overtime on the W-2**
- No change to payroll processing***
- No tax table changes specific to the law
- Only the “premium” portion of overtime is deductible



Overtime Premium



- Premium is only the extra \$10 per hour
- Exclude additional premium for double time (or more)

*Qualified Overtime

- FLSA basic overtime requirement
 - 1.5x regular rate for hours worked > 40 in a 7-day work period
- Section 7K exemption for public safety (police and fire)
 - Work period up to 28 days
 - Fire: OT after 212 hours over 28-day work period
 - Police: OT after 171 hours over 28-day work period
 - Reduces proportionally for fewer days
 - Must define work period in policy
- Only for non-exempt employees

*Qualified Overtime

- Compensatory (comp) time
 - FLSA allows up to 480 hours for public safety, 240 for everyone else
 - ONLY public sector
 - NOT qualified overtime when earned
 - POTENTIALLY qualified overtime when used and paid
 - Only if it was earned for overtime that would *otherwise* be qualified

Non-Qualified Overtime



- Does not include many things often granted by policy or collective bargaining:
 - Daily overtime (e.g., hours > 8 in a day)
 - Holiday premiums
 - Weekend or time-of-day premiums
 - Call-out premiums
 - Double time
 - Time off counting as time worked

Non-Qualified Overtime

- Some could potentially be qualified
 - Example:
 - Employer offers 8-hour daily threshold. Employee works 10 hours on Monday = automatic 2 hours OT.
 - *Non-qualified overtime*: Employee then works 6 hours on Tuesday and finishes the week with 40 hours.
 - *Qualified overtime*: Employee then works 8 hours each day and finishes the week with 42 hours. The original 2 hours OT is qualified because it meets the FLSA minimum.



FLSA – Regular Rate of Pay

- FLSA overtime – calculating the “regular rate of pay”
 - Include additional contractual payments and nondiscretionary bonuses
 - Exclude “statutory exclusions”

	Without Bonus	With Bonus	
Total hours	43	43	A
Hourly rate	\$ 10.00	\$ 10.00	B
Bonus	-	\$ 50.00	C
Total compensation	430.00	480.00	D = (A * B) + C
Regular rate of pay	\$ 10.00	\$ 11.16	E = D / A
Overtime premium rate	\$ 5.00	\$ 5.58	F = E / 2
Overtime premium	\$ 15.00	\$ 16.74	F * (A - 40)
Total pay due	\$ 445.00	\$ 496.74	D + F

**W-2s

- 2026 (draft)
 - New box 12 code for reporting qualified overtime (TT)
- 2025
 - Many employers will use box 14
 - Separate statement is also be acceptable
 - In the absence of further IRS guidance, “any reasonable method” should be used to provide to employees

**W-2s

- IRS Notice 2025-62 – **No penalty** if employer does NOT provide a calculation to employees
- IRS Notice 2025-69 – Guidance to employees on how to calculate
- Do not provide tax advice to your employees

***Payroll Processing

- No change to calculation of paychecks
- Update 2026 tax tables as normal
- Need to have some method of tracking qualified overtime to feed W-2 Box 12
 - “Memo” pay item in payroll?
 - Separate pay items for qualified and non-qualified OT?
 - Need to separate overtime base from overtime premium
 - Utilize timekeeping system?
- No one answer or recommendation for everyone

***Payroll Processing

- New W-4 as of 2026
- Employees can adjust withholding if they want to account for expected overtime
- Changes
 - Dependents are now \$2,200 per child (up from \$2,000)
 - Checkbox for exempt
 - Other minor cosmetic and semantic changes

GFOA Webinar

- <https://www.gfoa.org/member-alert-irs-unveils-no-tax-on-overtime-guidance>
- <https://www.youtube.com/watch?v=6QTRcRBnC8k>





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Q&A – OBBBA



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1099's

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Tax Services

1099's – Quick Reference

- 1099's are tax forms issued by companies (*payer*), to the vendors (*recipient*) paid during the calendar year
- Payers file these forms with the IRS, and provide a copy to the Recipient
- Recipients will use these forms to file their taxes
- Due by 1/31 of each year
 - Some forms do have different dates, confirm with IRS on any given year for exact filing deadlines



1099-NEC



\$600 minimum – do not send a form to anyone you paid less



Send to individuals and partnerships



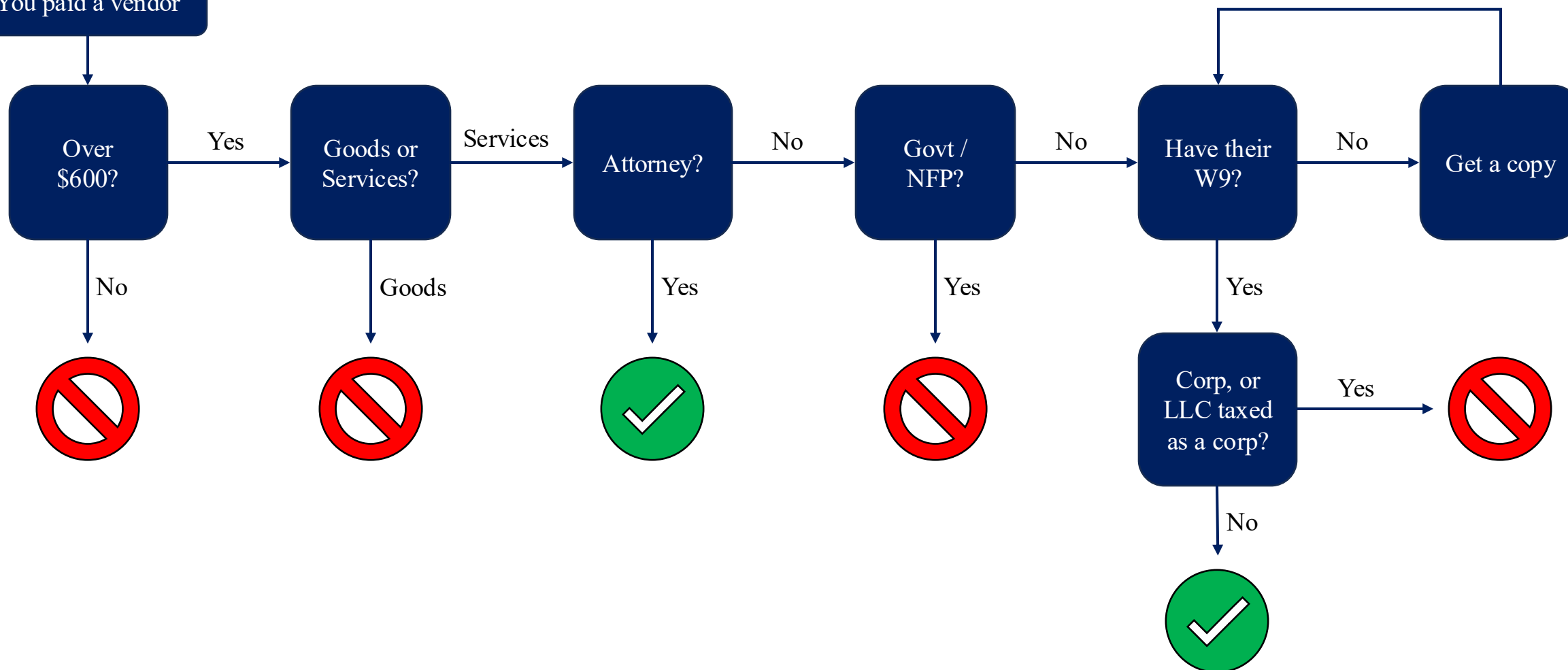
Vendors paid for services, rather than goods or products



Send to attorneys (even if they are a corporation)

Vendor 1099 Status Flowchart

You paid a vendor



1099 Preparation

- Information needed per vendor:
 - Basic payee info
 - W-9
 - Calendar year payment total

Note: Review all payee information when adding a new vendor to your Accounts Payable software

Form W-9
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification
Go to www.irs.gov/FormW9 for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)

2 Business name/disregarded entity name, if different from above.

3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor ☐ C corporation ☐ S corporation ☐ Partnership ☐ Trust/estate

☐ LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership)

Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.

☐ Other (see instructions)

3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions ☐

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any)

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any)

(Applies to accounts maintained outside the United States.)

5 Address (number, street, and apt. or suite no.). See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

or

Employer identification number

1099-NEC

7171

☐ VOID

☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		Nonemployee Compensation
		Form 1099-NEC		
		(Rev. April 2025)		
		For calendar year _____		
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation		Copy A For Internal Revenue Service Center For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the General Instructions for Certain Information Returns. www.irs.gov/Form1099
		\$		
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
Street address (including apt. no.)		3 Excess golden parachute payments		
City or town, state or province, country, and ZIP or foreign postal code		\$		
Account number (see instructions)		4 Federal income tax withheld		
2nd TIN not <input type="checkbox"/>		\$		
		5 State tax withheld	6 State/Payer's state no.	7 State income
		\$		\$
		\$		\$



Other 1099 Form Types

1099-MISC

- Rents
- Prizes/Awards
- **Gross Proceeds** paid to an attorney
- Nonqualified deferred compensation

1099-G

- Unemployment Compensation
- Issued Taxable Grants

1099-R

- Distributions from Pensions, Annuities, Retirement, IRA's, etc.
- Distributions of \$10 or more

1099-K

- Issued by payment card businesses

E-Filing with the IRS

- Register for IRIS to file 1099's
 - Tax Year 2025 is the last year FIRE will be available
 - IRS Publication 5717 – *IRIS Taxpayer Portal User Guide*
- Some accounting software have E-filing capabilities, but likely still require a TCC
- Publication 1220 for assistance with FIRE .txt files



IRS E-Filing Stats

1099-MISC: 50 Million

- Population of Spain

1099-NEC: 75 Million

- Annual number of guests at the Los Angeles International Airport (LAX)

W-2: 270 Million

- Age in years of the Kaibab Formation, the youngest rock layer in the Grand Canyon

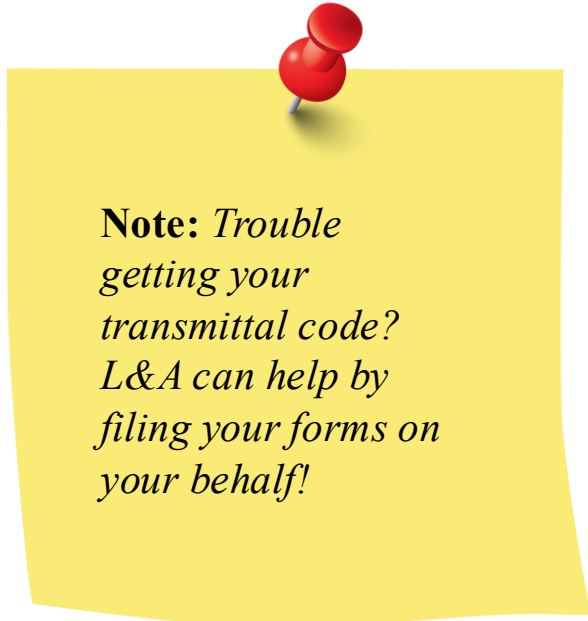
All Form Types: 5 Billion

- In seconds, that's over 158 years



E-Filing Requirements


- Total number of forms issued > 10
 - $(1099 \times 5) + (W-2 \times 15) = 20$ forms
- Failure to comply with e-file requirements may lead to penalties imposed by the IRS
- Form 8944, "Preparer e-file Hardship Waiver Request" may be available to you, but not guaranteed to be approved



Note: *Trouble getting your transmittal code? L&A can help by filing your forms on your behalf!*

IRS Notices

- Read the notice carefully
- Notice should clearly define any action needed
- Typically, just need to follow up with the vendors listed to make sure you have accurate Payee Information
- Keep notice for your records
- *2nd TIN not.* checkbox on 1099 Forms




Department of the Treasury
Internal Revenue Service
7940 Kentucky Dr, Stop 8152G
Florence, KY 41042

For your reference

Notice name	CP2100A
Notice date	September 26, 2024
Tax year	2023
Taxpayer ID number	[REDACTED]

For more information
Visit irs.gov/cp2100a to learn more about this notice and what to do next and avoid waiting on the phone.

016749.614101.257036.20107 1 AB 0.593 692



Page 1 of 6

! Payee Information Error Notification

To: [REDACTED]
You're receiving this notice because:

The payee information you reported on Form 1099 for tax year 2023 may be incorrect.

- Some payees didn't provide a taxpayer identification number (TIN), or
- Some payees may have given you an incorrect name or TIN.

As a result, you may want to do the following:

- Obtain correct information from the payee,
- Update your records, and
- Depending on the situation, begin backup withholding.

Don't respond to the IRS or amend any prior information return filing based on this notice. Use the new information for future Form 1099 reporting. It is your responsibility to deposit the amounts withheld and to report the withheld amounts on the payees Form 1099 for the year in which the payments are withheld.

What does this mean

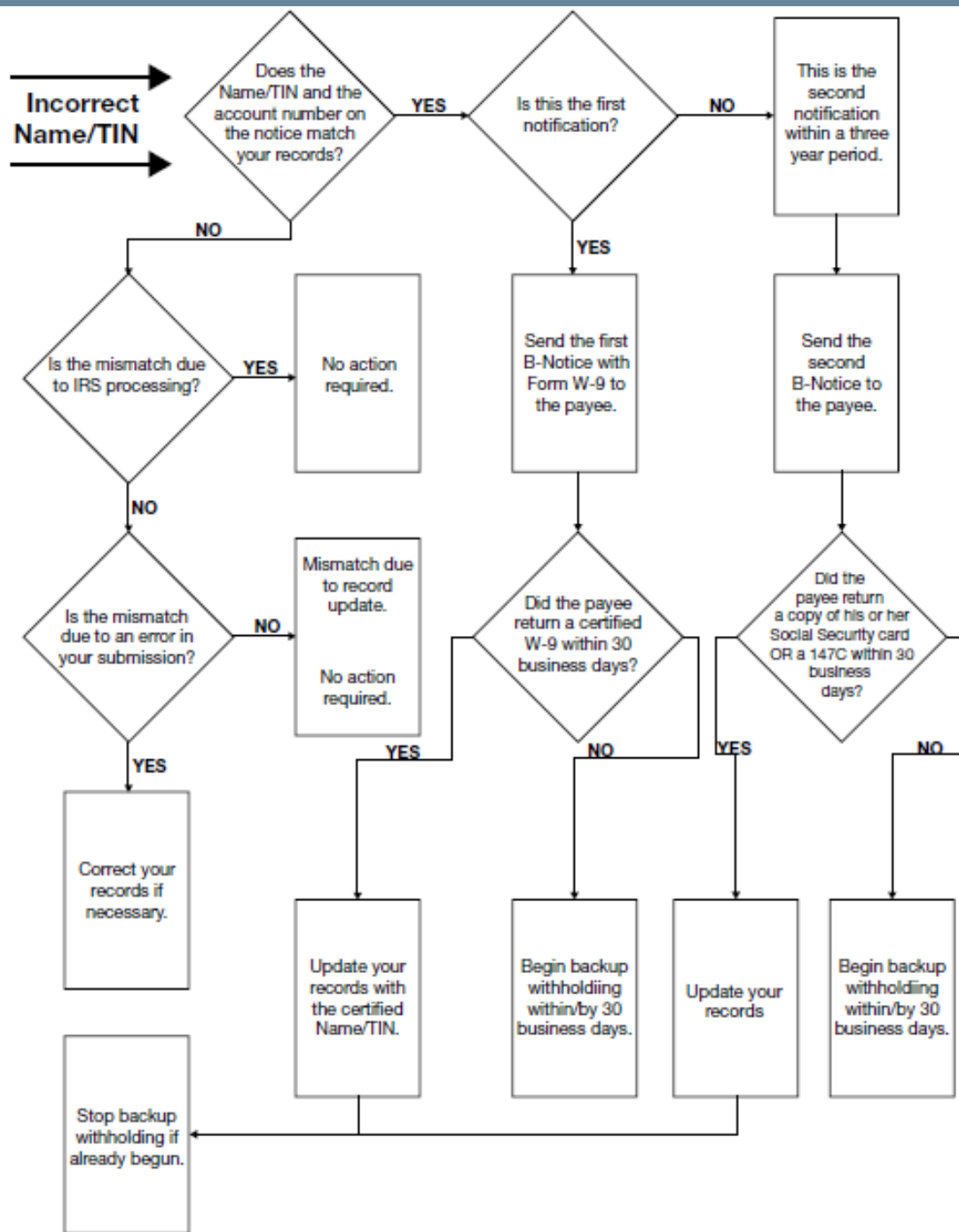
Banks, financial institutions, sole proprietors, and others must withhold 24% of certain reportable payments if payees fail to provide a correct TIN. This is required by Internal Revenue Code (IRC) Section 3406(a).

A TIN may be:

- A Social Security number (SSN) issued by the Social Security Administration
- An employer identification number (EIN)
- An individual taxpayer identification number (ITIN)
- An IRS adoption taxpayer identification number (ATIN)

Publication 1281

- Backup Withholding (BWH-B) Rate is 24%
- Technical Services Operation Customer Service Section
 - (866) 455-7438





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W-2's

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W-2 – The Basics

- Provided to each employee who received wages during the calendar year
- Reports the following:
 - Each category of taxable wages
 - Taxes withheld
 - State and local wages/taxes as applicable
 - Additional information boxes
- Configure all your pay/deduction items in your payroll system!



W-2

22222		VOID <input type="checkbox"/>		a Employee's social security number		For Official Use Only OMB No. 1545-0029					
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld					
				3 Social security wages		4 Social security tax withheld					
				5 Medicare wages and tips		6 Medicare tax withheld					
c Employer's name, address, and ZIP code				7 Social security tips		8 Allocated tips					
				9		10 Dependent care benefits					
d Control number		e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12	
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c					
				12d							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2025

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see the separate instructions.

Copy A—For Social Security Administration. Send this entire page with
Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page



W-2 – Other Boxes

- Box 10 – Dependent care – benefits provided under a dependent care assistance program
- Box 11 – Amounts distributed from non-qualified (taxable) deferred-compensation plan
- Box 13
 - Statutory employee
 - Retirement Plan
 - Third-party sick pay
- Boxes 16 and 17 – State wages and income tax withholding



W-2 – Other Boxes

- Box 12 – other income-related amounts
 - 30 different codes
 - Helps determine amounts that affect taxable income
 - Some are optional but recommended
- The most common codes used in Box 12 are...



W-2 – Common Box 12 Codes

Code	Description	Code	Description
C	Taxable costs of group-term life insurance over \$50,000.	W	Employer + employee contributions to a Health Savings Account (HSA).
D	Elective deferrals to a 401(k) plan.	BB	Roth contribution under a 403b plan
G	Elective deferral under a 457b plan.	DD	Cost of employer-sponsored health coverage. Information only.
J	Nontaxable sick pay.	EE	Roth contributions under a 457b plan.



W-2 – Other Boxes

- Box 14 – other information
 - Common items include:
 - Charitable contributions made through payroll deduction
 - Educational assistance payments
 - Health insurance premiums deducted
 - Nontaxable income
 - State disability insurance taxes withheld
 - Uniform payments
 - Union dues
 - No standard list – employers can report whatever they want



W-2 – Preparation

- Reconcile 941 returns to your W-2 register (W-3 summary)
- Investigate and resolve differences – see helpful tools on following slide
- Make sure W-2s are generated for **all** employees who received pay during the year (not just current employees)



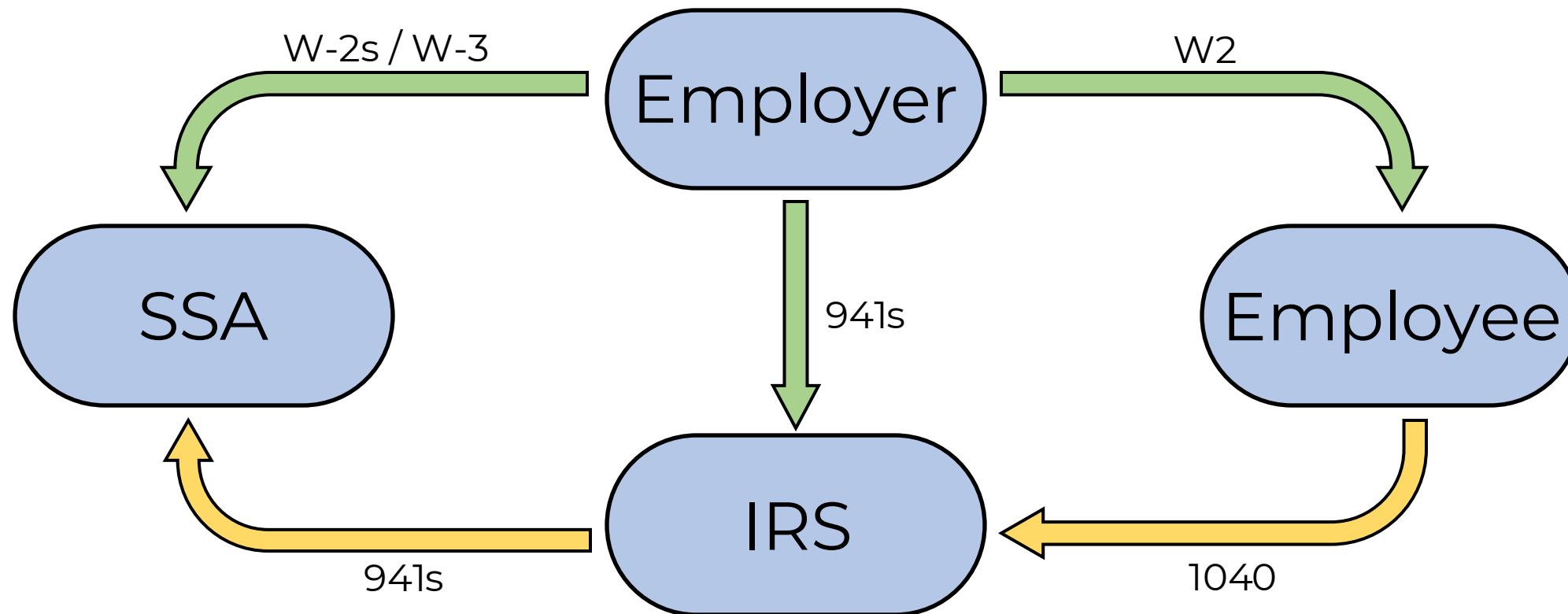
941 – W2 Reconciliation

NAME OF EMPLOYER
941 / W-2 Reconciliation
2024

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	W-3 Amounts	Check
FIT Wages	238,887.69	226,209.60	145,292.88	221,990.89	832,381.06	832,381.06	-
FICA-SS Wages	217,733.63	200,576.18	147,920.28	226,826.28	793,056.37	793,056.37	-
FICA-MED Wages	217,733.63	200,576.18	147,920.28	226,826.28	793,056.37	793,056.37	-
IL Wages	238,887.69	226,209.60	145,292.88	221,990.89	832,381.06	832,381.06	-
[State 2] Wages					-		-
[State 3] Wages					-		-
[State 4] Wages					-		-
<i>Fed / State Wage Check</i>	-	-	-	-	-	-	-
FIT Withholding	8,612.32	10,363.61	7,005.77	9,279.15	35,260.85	35,260.85	-
FICA-SS Tax (EE + ER)	26,998.97	24,871.45	18,342.11	28,126.46	98,338.99	49,169.52	(0.03)
FICA-MED Tax (EE + ER)	6,314.28	5,816.71	4,289.69	6,577.96	22,998.64	11,499.32	-
FICA-MED2 Tax (EE)					-		
IL Withholding	9,656.30	8,871.73	6,472.58	9,876.42	34,877.03	34,877.03	-
[State 2] Withholding					-		-
[State 3] Withholding					-		-
[State 4] Withholding					-		-
<i>FICA-SS Rate Check</i>	12.40%	12.40%	12.40%	12.40%	12.40%	6.20%	
<i>FICA-MED Rate Check</i>	2.90%	2.90%	2.90%	2.90%	2.90%	1.45%	



W-2s – Exchange of Information



➡ = Employer Responsibility
➡ = Non-Employer Responsibility

**** Money exchanged should always equal the reported amounts ****

Corrections and Penalties

- SSA can reject forms for incomplete or inaccurate information
 - Use forms W-2c and W-3c to report corrections
 - Don't need to file correction with SSA if only change is address

Date forms filed	Penalty
Within 30 days of due date	\$60 per form, up to \$664,500 / year
30 days after due date, before August 1	\$130 per form, up to \$1,993,500 / year
After August 1, or missing corrections	\$330 per form, up to \$3,987,000 / year
Intentional disregard of filing	≥ \$660 per form, no limit



W-2 Support

Contact SSA Business Services Online for
filing support

(800) 772-6270



Common Form Due Dates

Tax Form	Recipient Deadline	E-file Deadline
1099-NEC	2/2/2026	2/2/2026
1099-MISC (No Data in Boxes 8 or 10)	2/2/2026	4/1/2026
1099-MISC (With Data in Boxes 8 or 10)	2/16/2026	4/1/2026
1099-C, 1099-DIV, 1099-INT, 1099-K, 1099-R, 1098, 1098-T	2/2/2026	4/1/2026
W-2	2/2/2026	2/2/2026
ACA Forms 1095-C, 1095-B, 1094-C	3/1/2026	4/1/2026





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Q&A – 1099's and W-2's



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Fringe Benefits & Taxability

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Taxability of Fringe Benefits

- A Fringe Benefit is a form of pay (*property, services, cash or cash equivalent*) - that is generally taxable
 - Federal and state income taxes
 - Employment Taxes
- Unless excludable under IRS Code

RULE OF THUMB: assume a benefit is taxable unless you can prove otherwise



Excluded Benefits

“De minimis” Fringe Benefits (\$25?)

Achievement Awards (Non-Cash)

- At least 5 years of service
- Not received length of service award in last 5 years
- Limited to \$400 value per employee per year
- Presented as part of meaningful presentation
- Not as a method of disguised pay



Cash



Cash payments are **taxable** regardless of amount



All Gift Cards are considered Cash

- No matter how small in denomination
- Gift cards are never considered “de minimis”

Other Taxable Benefits



Car Allowances



Employer
Provided Vehicles



Uniforms – Rental
or Cleaning of
Uniforms



No-Additional
Cost Services



Wellness
Programs



Employee
Reimbursements

Car Allowance

- Subject to Tax
- Not subject to IMRF
 - Unless Employer has a Board approved resolution on file with IMRF that allows taxable fringe benefits to be included in IMRF
 - *(Effective 8.25.2017: For new Employees, Employers can no longer include Car Allowance in IMRF through a resolution)*



Employer-Provided Vehicle

- Subject to Tax & IMRF
 - Exception
 - Clearly marked police and fire vehicles
 - Unmarked vehicles used by law enforcement officers. Officers must be authorized to carry a firearm, execute search warrants, and make arrests
- Three methods available to calculate personal use:
 - Automobile Lease Value
 - Commuting Rule
 - Cents-per-mile Rule



Uniforms



- Not taxable if **ALL** the following apply:
 - Paid under an accountable plan
 - Clothing must be worn as a condition of employment
 - Clothing not suitable for everyday wear
 - Clothing worn by plain clothes officers would be taxable
- Safety boots - Not taxable if the reimbursement is paid under an accountable plan

No-Additional-Cost Service

May be excluded from
income **IF**:

Service offered by
employer to its customers
in ordinary course of
business (Ex. Golf courses,
fitness facilities &
swimming pools)

Employer incurs no
additional cost in providing
service to employee,
including no foregone
revenue



Wellness Program Incentives

- Cash Rewards for participating in a wellness program are taxable
 - Any cash rewards
 - Any reward paid by a third-party vendor
 - Any reward not otherwise excludible from taxable income – gym membership fees
 - Reimbursement of premiums if premiums were originally made by pre-tax salary reduction through a Section 125 plan



Employee Reimbursements

- May be reimbursed through accounts payable or payroll
- Non-taxable reimbursements – Must have an accountable plan:
 - Business related expense
 - Receipts required unless per diem rates are used
 - Adequate documentation (i.e. date, time, place, amount, and business purpose)
 - Advances if substantiated in a reasonable time and any excess returned
- Taxable reimbursements:
 - Unsubstantiated expenses
 - Same day travel meals
 - Per diem or mileage allowance more than federal rate



How to Respond to the IRS

- Respond to all IRS requests in a timely fashion and ensure you are addressing all sections of the request
- Ensure you are properly prepared with all necessary documents for when the IRS comes for their field audit
- Make sure all internal documentation is complete and organized and policies are documented
- Be courteous and attentive to the IRS agent's requests – you catch more flies with honey 😊



Helpful Websites and Publications

- **Websites**

- www.irs.gov – Internal Revenue Service home page
- www.ssa.gov – Social Security Administration home page
- www.ssa.gov/slge - Social Security Administration site for state and local government employers
- www.tax.illinois.gov – IL Dept of Revenue

- **Publications**

- Publication 15, Employers Tax Guide
- Publication 15-A, Employers Supplemental Tax Guide
- Publication 15-B, Employer's Guide to Fringe Benefits
- Publication 1537, Fringe Benefit Guide
- Publication 963, Federal, State Reference Guide
- Publication 525 – Taxable and Nontaxable Income





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Q&A – Fringe Benefits



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HR Pitfalls & How to Avoid Them

Megan Holford

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HR Pitfalls and How to Avoid Them



By the end of this session, you will:

- Recognize common HR pitfalls
- Understand the legal, financial, and reputational risks
- Learn from real case studies
- Identify proactive strategies for prevention

Why HR Compliance Matters in Local Government



Public
accountability &
transparency
requirements



FOIA, open
meeting laws,
public record
retention



Heightened
public/media
scrutiny



Taxpayer-funded
budgets require
prudence



Public trust is both
a responsibility and
a risk factor.

Pitfall #1

Lack of Segregation of Duties

Pitfall

Lack of segregation of duties between payroll and HR

Risk

- Errors due to undertraining, human error, etc.
- Significant disruption when someone leaves
- Potential for fraud and lack of trust

Case Study

2019 City of Baltimore, Maryland –
Ghost Employee Scheme



Pitfall #1

Lack of Segregation of Duties

Mitigation Efforts

- Separated Duties:
 - HR handles onboarding, terminations, and personnel file maintenance
 - Finance handles payroll entry, processing, and reconciliations
- Dual Approval Workflow:
 - All pay changes must be approved by HR and the Finance
- Quarterly Audits:
 - Random sampling of payroll changes
 - Reconciliations with benefits and pension agencies
- System Access Controls:
 - Removed administrative override access for HR staff
 - Split permissions between “data entry” and “payroll processing” roles
- Cross-Training:
 - Two staff members in Finance trained to process payroll to avoid single points of failure

Pitfall #1

Lack of Segregation of Duties

Best Practice

Failing to separate HR and payroll duties creates significant control, financial, and compliance risks. Best practice is to ensure that HR manages employee data and authorizations while payroll independently processes and verifies pay, creating a clear system of checks and balances.

Pitfall #2

Gaps in I-9 Compliance

Pitfall

Employees in charge of I-9 compliance are lacking training and I-9 forms are out of compliance

Risk

- ICE audits and raids and the resulting reputational damage
- Significant fines
 - Local governments are not exempt from federal immigration compliance.
 - Errors or missing I-9s can result in civil fines per violation ranging from ~\$300 to \$3,000 per form error.
 - Higher penalties for knowingly hiring unauthorized workers ~ \$25,000 per violation.
 - Even technical errors like missing dates, incomplete sections, or late completion, can create fine exposure across dozens or hundreds of employees.
- Some grants (especially federal public safety or infrastructure programs) require affirmations of immigration compliance with no outstanding federal violations. A finding of I-9 noncompliance can jeopardize existing funding and block future grant applications.

Pitfall #2

Gaps in I-9 Compliance

Case Study

- City of Annapolis, Maryland
 - Internal I-9 audit found
 - 25% of employees had no I-9 on file
 - Incorrect documentation on file that should not have been
- Significant time spent correcting errors
- Very public situation that caused reputational damage

Pitfall #2

Gaps in I-9 Compliance

Mitigation Efforts

- Implement centralized I-9 completion and oversight
- Consider USCIS-compliant electronic I-9 system or E-Verify
- Provide training for any employee that will be tasked with I-9 activities
- Conduct periodic internal audits
- Avoid over-documentation

Best Practice

Organizations should maintain a centralized, consistent, and compliant I-9 process across all departments to ensure accuracy, reduce liability, and protect public trust. All new-hire I-9 forms- regardless of position type (full-time, part-time, seasonal, interns, or temporary staff)- should be completed on or before the first day of work and verified by HR within the required three business days.

Pitfall #3

Failure to Stay Current with Legislative Changes

Pitfall

Legislation is consistently changing and not having a way of capturing those changes and implementing creates exposure.

Risks

- Lack of compliance with:
 - FLSA (overtime, exemption classification, comp time rules)
 - State wage laws (timely pay, final paycheck, recordkeeping)
 - IRS requirements (withholding, W-2 accuracy, tax deposits)
 - Pension fund rules (IMRF/TMRS/TRS reporting accuracy)
 - Union contract provisions

Examples

- FSLA thresholds
- PWLA implementation
- OBBBA impacts



Pitfall #3

Failure to Stay Current with Legislative Changes

Mitigation Efforts

- Establish a Formal Legislative Monitoring Process
- Join an Industry Group
- Conduct Annual Policy & Handbook Reviews
- Maintain Required Notices & Documentation

Best Practices

Organizations should maintain a proactive, structured compliance program that ensures all employment-related laws are reviewed routinely, integrated into policies and payroll systems, communicated to staff, and consistently applied across all departments. By monitoring legislative updates, conducting annual policy reviews, training supervisors, and maintaining accurate leave and payroll records, the organization ensures legal compliance, operational consistency, and equitable treatment of all employees.



Pitfall #4

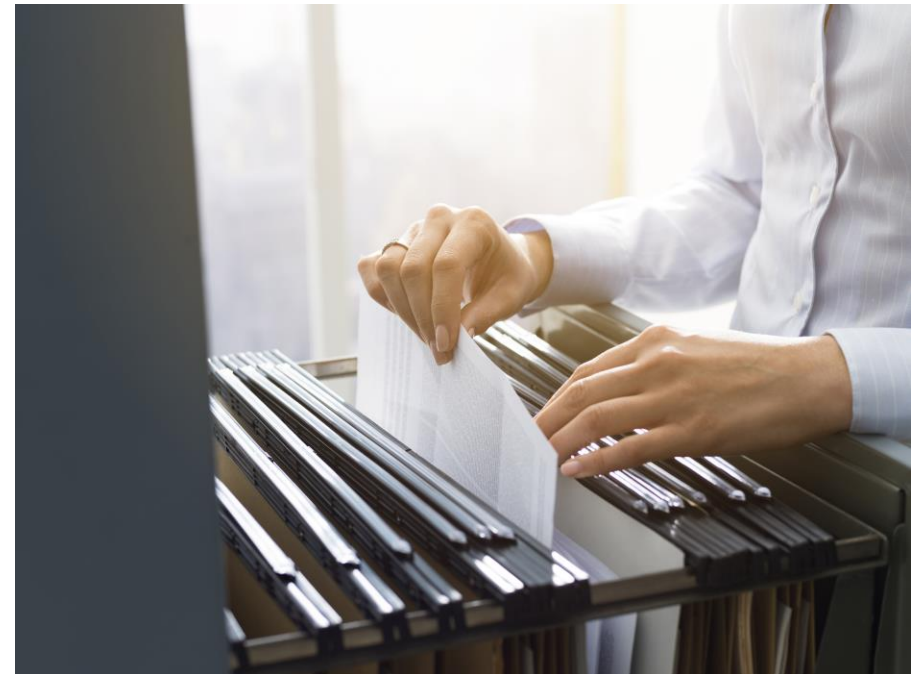
Poor Payroll & HR Documentation

Pitfall

Records are not kept consistently or in a centralized location

Risks

- Audit findings, financial statement notes or management letters
- Financial loss due to overpayments, overtime errors, or incorrect accruals
- Operational inefficiency



Pitfall #4

Poor Payroll & HR Documentation

Example

Large City, IL (2019)

- wrongful termination claim dismissed thanks to consistent documentation

Mitigation Efforts

- Require documented approvals for payroll changes, stipends, overtime, and personnel actions
- Maintain a unified, written process for onboarding, payroll entries, and employee record updates
- Train HR, payroll, and department supervisors on documentation standards and legal requirements



Pitfall #4

Poor Payroll & HR Documentation

Best Practice

Organizations should maintain standardized, accurate, and timely payroll and HR documentation through consistent processes, clear approval workflows, and regular internal audits to ensure compliance and reduce financial and operational risk.



Pitfall #5

Inconsistent Policy Enforcement

Pitfall

Unequal treatment
without justification

Risk

- Discrimination claims
- Union grievances
- Employee turnover



Pitfall #5

Inconsistent Policy Enforcement

Case Study

County Sheriff's Office (Midwest, 2022) – two deputies disciplined differently for the same infraction; \$250k back pay awarded.

Mitigation Efforts

- Provides regular supervisor and department head training on all major HR and payroll policies
- Conducts periodic audits of disciplinary actions, leave approvals, and payroll documentation
- Uses standardized forms, workflows, and approval processes across all departments
- Requires consistent documentation for decisions related to leave, discipline, compensation changes, and timekeeping



Pitfall #5

Inconsistent Policy Enforcement

Best Practice

Organizations should apply all policies consistently across departments by using standardized processes, clear guidance, and routine supervisor training. Centralized HR review and regular audits support fair, legally compliant, and transparent enforcement, strengthening trust and reducing employee relations and legal risks.



Prevention Framework

- ✓ Update policies & job descriptions regularly
- ✓ Annual manager & elected leader training
- ✓ Standardize documentation processes
- ✓ Formal complaint-handling protocols
- ✓ HR audits every 2-3 years
- ✓ Regular compliance checks for legal requirements



Key Takeaways

- Small HR & payroll errors can become public crises
- Proactive measures are cheaper than legal battles
- Documentation, consistency, compliance, and training = best defense





Lauterbach & Amen

Three light-colored wooden blocks are arranged horizontally. The first block has a large 'Q' on its front face, the second block has an ampersand '&' on its front face, and the third block has a large 'A' on its front face. The blocks are slightly out of focus, with a soft, warm light background.

Q&A – HR Pitfalls



Lauterbach & Amen

Further Questions?

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For any feedback on the presentation, or suggestions for future topics, please reach out to:

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Lauterbach & Amen

Thank you for attending!
Stay safe, and we hope to see you
soon.

2026 Limits

		2025	2026
457	Normal Limit	\$23,500	\$24,500
	"Age 50" Catch-Up Limit	\$7,500 (\$31,000 total)	\$8,000 (\$32,500 total)
	"Age 60-63" Catch-Up Limit	\$11,250 (\$34,750 total)	\$11,250 (\$35,750 total)
	"Pre-Retirement" Catch-Up Limit	\$23,500 (\$47,000 total)	\$24,500 (\$49,000 total)
IRA	Normal Limit	\$7,000	\$7,500
	"Age 50" Catch-Up Limit	\$1,000 (\$8,000 total)	\$1,100 (\$8,600 total)
401a		\$70,000	\$72,000
IMRF Tier 1 (if hired after 1/1/1996)		\$350,000	\$360,000
IMRF Tier 2 Wage Cap (if hired after 1/1/2011)		\$127,283.01	\$129,192.26
HSA		\$4,300 self / \$8,550 family	\$4,400 self / \$8,750 family
Police and Fire Tier 2 Wage Cap (if hired after 1/1/2011)		\$141,407.74	\$145,649.97
Social Security Taxable Earnings		\$176,100	\$184,500
Health FSA		\$3,300	\$3,400
Dependent Care FSA		\$5,000	\$7,500
Transportation		\$325/month	\$340/month

