



Quick Quiz: Bonus Based Upon Company's Annual Performance

Insights

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Every February 1, Acme Banking pays a bonus to eligible nonexempt employees for the prior calendar year if Acme's overall performance exceeded certain standards. The standards relate to Acme's return-on-assets, return-on-equity, deposit growth, and efficiency ratio.

If any bonus is paid, employees must be employed at the calendar year's end to qualify for a payment. An employee must be employed throughout the entire calendar year to receive a full payment; employees who are employed for more than four months of the year but for less than the entire year receive only a proportionate payment. The bonus equals 2.5% of the employee's base pay for the prior calendar year. Acme tells each new employee at the time of hiring about the bonus's general details and criteria.

Under the federal Fair Labor Standards Act, does Acme have to figure overtime on the bonus payment if a nonexempt employee worked overtime during the prior year?

[Editor's Note: Click [here](#) for the answer.]