



Sample Negative PTO Advance Policy and Agreement

SAMPLE NEGATIVE PTO ADVANCE & RECOVERY POLICY (EANJ ver. 3/10/2026)

[Note: This policy is intended for use solely by NJ employers who maintain and administer a PTO bank separately from leave they provide to employees under NJ's Earned Sick Leave Law (ESLL). This policy does not reflect the requirements for PTO banks which combine PTO and ESLL leave.]

1. Purpose & Scope

This policy establishes when and how [\[Company Name\]](#) (“the Company”) may advance unearned Paid Time Off (PTO) to employees and how such advanced PTO may be recovered, including through payroll deductions and final-paycheck recovery, to the extent permitted by federal and New Jersey law.

This policy applies to [\[all employees / only full-time employees / etc.\]](#), except where a collective bargaining agreement (CBA) provides otherwise.

2. Employer Discretion

The Company may approve or deny requests to advance PTO in its sole discretion, considering business needs, except as restricted by federal and New Jersey law, including the Earned Sick Leave Law as further described in paragraph 3 below. Nothing in this policy guarantees approval of a PTO advance.

3. ESLL is Not Subject to this Policy

As previously noted, the Company will not advance ESLL-covered hours; deduct or recoup ESLL hours or ESLL-protected pay; or treat ESLL hours as part of any Negative PTO balance.

4. Eligibility & Maximum Advance Allowed

The Company may advance PTO to employees who meet the following criteria:

- Eligibility Criteria:

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[Example: completion of 90 days of employment; satisfactory performance; not in disciplinary status]

- Maximum Allowable Advance:
 - Non-Exempt Employees: Up to [__ hours] of PTO may be advanced at any time.
 - Exempt Employees: Up to [__ full days] of PTO may be advanced. Partial-day advances for exempt employees are not permitted.
- Valuation Method:
 - Non-Exempt: Each hour advanced is valued at the employee's regular hourly rate at the time the PTO is used.
 - Exempt: Each advanced full day is valued at the employee's daily rate (weekly salary ÷ scheduled workdays) at the time the PTO is used.

Employers should insert valuation tools, such as:

"The employee's daily rate is calculated as [insert formula], reviewed annually or upon change in salary."

5. Written Employee Authorization (Required Before Any Advance)

Before PTO is advanced, the employee must sign a written agreement acknowledging that the advance is treated as a bona fide loan; the employee authorizes periodic payroll deductions according to a repayment schedule; and the employee authorizes recovery of any remaining balance from their final paycheck to the extent permitted by law.

6. Repayment Methods

Repayment will occur using the following hierarchy:

A. PTO Earn-Back (Automatic)

Newly accrued PTO will automatically reduce the negative balance until it reaches zero.

B. Regular Payroll Deductions

The Company will deduct [choose: a flat amount per pay period / up to __% of gross wages], consistent with the signed agreement and NJ's requirement that deductions for employer loans follow a periodic payment schedule.

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C. Final Paycheck Deduction

Upon separation, the Company may deduct the unpaid balance from the employee's final wages if the deduction is for repayment of an employer loan (advanced PTO); the employee has signed advance authorization; and the deduction follows the approved repayment schedule.

D. Direct Repayment (if needed)

If payroll deductions are not permissible or wages are insufficient, the employee must pay the outstanding amount within [__ days] of separation through [check / electronic payment / other].

7. Final Pay Timing (Mandatory Language)

Employees will receive their final paycheck no later than the next regular payday for the pay period in which separation occurs.

Any authorized deduction for advanced PTO may be applied at that time, subject to federal and state law.

8. Recordkeeping

The Company will maintain records reflecting the employee's signed authorizations; the amount of PTO advanced; valuation details; repayment schedules; and all payroll deductions taken.

9. No Retaliation

The Company prohibits retaliation against employees for requesting or using PTO or exercising rights under ESLL or other applicable laws.

10. Policy Administration & Modification

The Company may revise this policy at any time, consistent with applicable federal, state, and local laws.

SAMPLE EMPLOYEE AUTHORIZATION & REPAYMENT AGREEMENT

Employee Name: _____

Job Title: _____

Exempt / Non-Exempt: _____ Date: _____

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1. PTO Advance Requested

I request an advance of [__ hours / __ full days] of PTO on [date], valued at: ☐ Non-

Exempt: \$[__]/hour; or

☐ Exempt: \$[__]/day.

(Value set at the rate applicable on the date used.)

2. Acknowledgment of Employer Loan

I acknowledge that this PTO advance is a loan from the Company and must be repaid.

3. Payroll Deduction Authorization

I authorize the Company to deduct [insert repayment amount or formula] from each paycheck beginning [date] until the balance is repaid, consistent with New Jersey's requirements for deductions for employer loans.

4. Final Paycheck Deduction Authorization

If any balance remains at separation, I authorize the Company to deduct the full remaining amount from my final paycheck to the extent permitted by law.

5. Direct Repayment Obligation

If wages are insufficient or deduction is not legally allowed, I agree to repay the remaining balance within [__ days] of separation.

6. ESLL is Not Subject to this Authorization

I understand this authorization does not apply to Earned Sick Leave Law-protected sick leave or pay.

Employee Signature: _____ Date: //_____

Company Representative: _____ Date: //_____

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