

PTO (Paid Time Off) Policy

Policy · US · Updated 2026-07-23 · Square brackets are placeholders to replace with your own details.

A PTO (paid time off) policy is the written set of rules for the paid vacation, sick, and personal time an employer offers: how much employees get, how it accrues or is granted, how they request it, what carries over, and what happens to the balance when employment ends. In the US, the policy is not paperwork around a legal entitlement — the policy is the entitlement.

That is the part that surprises anyone used to other countries' systems: there is no US federal minimum vacation entitlement. None. Federal law does not require employers to provide paid vacation at all — what your organization offers is whatever this policy says it offers, which is exactly why the policy needs to be precise. The moment PTO is promised, state law starts to care how the promise is kept, and the two clauses employers most often copy from another state's template — use-it-or-lose-it forfeiture and no payout at termination — are unlawful in some states.

This template gives you a complete PTO policy: the earning method (accrual or frontload) as placeholders, carryover and caps, the request and approval routine, unplanned-absence rules, and the termination-pay-out clause written to be checked against your state's law rather than assumed.

Purpose and scope

This policy sets out the paid time off [Your company] provides, how it is earned, how it is requested and approved, and what happens to unused balances. It applies to [all employees / eligible employee groups], with amounts prorated for part-time employees as described below.

PTO exists so people actually rest, recover, and handle life without losing pay — a benefit that only works if requesting it is straightforward and approval is predictable. Nothing in this policy changes the at-will nature of employment at [Your company].

How PTO is earned

[Your company] provides PTO on the following basis — complete one option and delete the other:

- **Accrual:** employees accrue [X hours] of PTO per [pay period / hours worked], beginning [on hire / after the waiting period below], up to the accrual cap in this policy.
- **Frontload:** employees receive [X days/hours] of PTO on [January 1 / their hire anniversary], prorated in the first year based on start date.
- **Eligibility:** PTO may be used after [waiting period, if any — check that any waiting period is consistent with state and local sick leave laws for the sick portion of the bank].
- **Part-time employees:** [prorated amount / accrual on the same per-hour basis].
- PTO balances are visible in [payroll system], and questions about a balance go to [name/role].

Carryover and caps

Employees may carry over up to [X hours/days] of unused PTO into the next [calendar year / anniversary year]. Once an employee's balance reaches [cap — e.g. 1.5x the annual grant], accrual pauses until the balance drops below the cap.

[If using forfeiture: PTO above the carryover limit is forfeited on [date].] Before adopting any forfeiture language, check your state's law — some states prohibit use-it-or-lose-it policies entirely, and in those states an accrual cap that slows earning is the compliant alternative to a rule that takes away time already earned.

Requesting and scheduling PTO

- Request PTO through [system/form] at least [X days/weeks] in advance for planned time off — longer for requests of [a week or more].
- [Name/role] approves or declines within [X business days], based on staffing needs and the order requests were received [or the tie-break rule [Your company] uses — applied the same way for everyone].
- Busy-period limits: [blackout dates or restricted periods, if any], published by [date] each year.
- A declined request gets a reason and, where possible, alternative dates — repeated declines of the same person's requests should be escalated to [name/role] to fix the staffing problem behind them.
- PTO is recorded in [system] so balances, payroll, and coverage planning all work from the same numbers.

Unplanned absences and sick use

PTO covers sickness and emergencies as well as vacations. For an unplanned absence, notify [name/role] by [time] on the day of absence via [phone/channel] — the earlier the call, the easier the cover.

For sick-related use, [Your company] requests documentation only where consistent with applicable state and local sick leave laws, which often limit when documentation can be demanded. Absences covered by this policy and taken properly are not counted against employees under the attendance policy.

PTO when employment ends

On termination of employment, accrued unused PTO is [paid out in the final paycheck / paid out as required by state law / forfeited, where and only where state law permits]. This clause should be completed against the law of each state where [Your company] employs people — in some states accrued PTO is treated as earned wages and payout is not optional, whatever the policy says.

PTO may not be used to extend a final employment date without approval from [name/role], and negative PTO balances at termination are handled [per state law — deductions from final pay are restricted in many states].

Interaction with other leave

- Company holidays at [list/reference] are separate from PTO; a holiday falling within approved PTO is not charged against the PTO balance.

- Leave protected by law — including FMLA leave where [Your company] is covered, jury duty, and voting leave where state law provides it — runs under its own rules; accrued PTO [may / is required to] be substituted during unpaid protected leave as described in the FMLA & family leave policy.
- Bereavement leave is provided under the bereavement leave policy and is not charged against PTO [unless extended time is agreed].

Records and review

PTO balances, requests, approvals, and payout calculations are kept in [system] for [period]. This policy is reviewed [frequency, e.g. annually], whenever [Your company] starts employing in a new state, and whenever state or local leave law changes. Owner: [name/role]. Next review due: [date].

How to use this template

1. Choose accrual or frontload, fill in the amounts, and delete the option you are not using — a policy showing both reads as a draft.
2. Check your state's rules on termination payout and use-it-or-lose-it before completing those clauses — they are the two most commonly unlawful lines in copied PTO policies.
3. If your state or city requires paid sick leave, map its accrual, usage, and documentation rules onto your PTO bank and adjust wherever the bank falls short.
4. Set the request notice period and the tie-break rule to your real staffing pattern, then apply them the same way for everyone.
5. Audit a quarter of PTO decisions once a year: approval rates and balances by team tell you whether the policy works or people are quietly not taking time off.

Official guidance

- › [DOL — Vacation leave](#)
- › [DOL — Sick leave](#)
- › [DOL — Wage and Hour Division](#)

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