

Federal Changes to Overtime Exemptions

New Regulation Decreases Number of Exempt Employees

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by Michael Kelsheimer

For the last year, the U.S. Department of Labor (DOL) has been working on proposed rule changes related to overtime exemptions. These changes are designed to substantially decrease the number of employees who are exempt from overtime. Today, the Department of Labor released the final rule changes. Employers are required to be compliant with these changes by December 1, 2016.

Below are the key points to the changes in the law employers should know and address:

Higher Minimum Salary for Overtime Exemptions

In addition to the other requirements for an employee to be exempt from overtime, the minimum salary requirement is increasing. What used to be a minimum of \$455 per week will now be \$913 per week or \$47,476 per year. This doubles the current salary threshold level, but is slightly lower than that proposed in the rule. This is the primary reason many currently exempt employees will lose their exemption.

Automatic Updates to Salary Levels Every 3 Years

In an effort to maintain a salary level that is equal to the 40th percentile of full-time salaried workers in the lowest-wage Census region, the minimum salary to be exempt will be increased every three years. This is better than what the DOL originally proposed which was annual increases. The first of these updates will go into effect on January 1, 2020.

Duties Test Unchanged

Though the DOL discussed changing the other specific requirements associated with exemptions from overtime, it decided not to make any changes to those requirements.

Change to Highly Compensated Employee Exemption

One of the exemptions from overtime relates to highly compensated employees. The threshold for this exemption was set at \$100,000 per year. The new threshold is set at the 90th percentile of full-time salaried workers nationally, \$134,004 per year.

If you have questions or concerns about complying with the new law, Gray Reed's employment team will be glad to audit your present practices and ensure you are compliant before the December 1, 2016 deadline.

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