Engage PEO Client Alert

New York Spring 2024 Update

NEW YORK STATE INCREASED SALARY THRESHOLD FOR EXEMPT EMPLOYEES IN 2024

WHAT'S NEW: Effective early 2024, New York State increased the minimum salary that employees must earn to appropriately claim the executive and administrative exemptions from overtime.

WHY IT MATTERS: Federal and state wage and hour laws require employers to pay employees for all hours worked, including overtime when the employee works more than 40 hours during one work week. However, employees may be exempt from this overtime rule if they satisfy certain exemptions, such as an executive exemption and administrative exemption.

To qualify for the executive and administrative exemptions, an employee must:

1) receive compensation on a salary basis,

2) earn a minimum salary, as defined by the State, and

3) satisfy a duties test.

In 2024, the minimum salary requirement for an employee claiming the executive and/or administrative exemptions in New York City, Westchester County, and Long Island is $1,200 per week ($62,400 per year). The minimum salary requirement for an employee claiming the executive and/or administrative exemptions in the remainder of New York State is $1,124.20 per week ($58,458.40 per year). **If employees do not earn at least the minimum salary requirement, then they must be paid on an hourly basis (including overtime) or qualify for a different overtime exemption**.

Additionally, the State provided that the minimum salary requirement for executive and administrative exempt employees in New York City, Westchester County, and Long Island will increase to $1,237.50 ($64,350 per year) on January 1, 2025, and to $1,275 per week ($66,300 per year) on January 1, 2026. Similarly, the minimum salary requirement for executive and administrative exempt employees in the remainder of New York State will increase to $1,161.65 per week ($60,405.80 per year) on January 1, 2025, and $1,199.10 per week ($62,353.20 per year) on January 1, 2026.

WHAT EMPLOYERS SHOULD DO: Review the salaries of exempt employees to ensure that employees claiming the administrative and/or executive exemptions earn at least the new salary minimums. If employees fall below the salary minimums, then begin to pay those employees on an hourly basis for all hours worked, including overtime, or raise their salary to satisfy the new salary requirements.

NEW YORK STATE CHANGES TO FREQUENCY OF PAY REQUIREMENTS

WHAT'S NEW: Effective March 13, 2024, professional, administrative, and executive employees must earn at least $1,300 per week (an increase from $900 per week) in order to be paid less frequently than weekly.

WHY IT MATTERS: New York State requires most employers to pay "manual workers" on a weekly basis and "clerical and other workers" at least twice per month.

As of March 13, 2024, in order to be exempt from this rule and be obligated to participate in direct deposit, executives, administrators, and professionals must:

1) earn at least $1,300 per week, and

2) satisfy a duties test (which are available in detail, here).

For reference, under New York Labor Law, a "manual worker" is "a mechanic, workingman or laborer." According to the New York Department of Labor, manual workers "spend more than 25% of working time engaged in 'physical labor'," which "has been interpreted broadly to include countless physical tasks performed by employees." Additionally, "clerical and other workers" are those that are not a "manual worker," "railroad worker," "commission salesman," or an employee in a "bona fide executive, administrative, or professional capacity."

WHAT EMPLOYERS SHOULD DO: Employers that offer direct deposit and pay executive, administrative, and professional employees less frequently than weekly should review the salaries of those employees to ensure compliance.

Please reach out to your Engage Human Resources Consultant if you have any questions concerning this alert or other H.R.-related matters.