Engage PEO Client Alert

U.S. Department of Labor's Increased Salary Requirement for Exempt Employees

WHAT'S NEW: On April 23, 2024, the US Department of Labor issued its final overtime rule which modifies the salary requirements for the executive, administrative, professional and highly compensated employee overtime exemptions. **Changes go into effect on July 1, 2024**.

WHY IT MATTERS:

The Current Law

- The Fair Labor Standards Act (FLSA) requires that employees be paid at least minimum wage and one half the hourly rate for all hours worked over 40 in one week. Some employees are exempt from these requirements. In order to be properly classified as exempt, an employee must fulfill certain duties requirements as laid out within the FLSA.
- In addition to meeting the duties requirements, an employer must pay exempt employees a salary of at least $684 per week or $35,568 annually. The threshold to fall within the "highly compensated employee" exemption is $107,432.
- There are limited exceptions to these salary requirements. Most of the time, however, if the duties and salary requirements are not met, then the employee is not exempt from overtime requirements.

The New Rule

- **The salary requirement for exempt employees increases to $844 per week ($43,888 per year) effective July 1, 2024, and increases to $1,128 per week ($58,656 per year) on January 1, 2025.**
- **The salary threshold for highly compensated employees increases to $132,964 on July 1, 2024, and then to $151,164 on January 1, 2025.**
- **The rule incorporates automatic updates every 3 years beginning July 1, 2027.**

WHAT EMPLOYERS SHOULD DO

It is important to start making plans for how to implement these new requirements.

- Employers should begin by reviewing their exempt employees to determine whether they are properly classified.
- Employers should identify any exempt employees making less than $58,656 per year and evaluate next steps - increase salaries or reclassify the employee as non-exempt which would require tracking of hours and payment of overtime.

Please reach out to your Human Resources Consultant/Partner if you have any questions.