

New Overtime Rules: What Employers Need to Know



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The U.S. Department of Labor (DOL) issued a final regulation that boosts the minimum yearly salary level for qualifying for overtime pay. This rule potentially affects executive, administrative, and professional staff, sometimes referenced as the “White Collar Overtime Exemptions.”

The Fair Labor Standards Act (FLSA) is the federal legislation that dictates minimum wage and overtime payment requirements for employees. According to the FLSA, non-exempt employees are entitled to overtime compensation at a rate of one and a half times their regular hourly wage for any hours worked beyond 40 in a single workweek. Although hourly employees typically qualify for overtime, salaried employees do not if they meet a specific salary threshold and have responsibilities like supervising other employees, using specialized skills or judgment, or participating in hiring and termination decisions.

Today, salaried employees earning below \$35,568 annually are eligible for overtime pay for hours worked over 40 in a week. Effective July 1, 2024, if you have employees currently classified as exempt under FLSA guidelines and paid a salary, the minimum salary amount must be \$43,888 (\$844 per week). The next change will occur on January 1, 2025, raising the minimum again to \$58,656 (\$1,128 per week).

Next Steps

While the final ruling may still be challenged in court, employers should take the following steps to prepare:

- Check the classifications of salaried employees to ensure compliance with the updated salary criteria to maintain their exempt status
- Evaluate salaried employee classifications to decide if any should be reclassified as non-exempt
- For those reclassified as non-exempt, ensure accurate recording of all hours worked
- For reclassified non-exempt employees, review budgeting, establish hourly expectations, and update policies for overtime approval

Read the new Overtime Protections ruling [here](#).

Need help preparing? [Contact](#) your Dean Dorton advisor for more information.
