

CLIENT ALERT: U.S. Department of Labor Imposes New Minimum Salary Level for FLSA Overtime Exemptions, Impacting Millions

On April 23, 2024, the U.S. Department of Labor (DOL) released a final rule raising the minimum salary level for an employee to qualify as exempt from the Fair Labor Standards Act's (FLSA) overtime requirements. Employers will need to act quickly as the rule becomes effective July 1, 2024. The DOL estimates the new rule, which increases the thresholds higher than initially anticipated, will expand overtime protections to about four million workers. Notably, the rule change does not alter the "duties tests" for determining whether an overtime exemption may apply.

Currently, most employees paid less than \$684 per week (\$35,568 annually) must be paid overtime if they work more than 40 hours per week. Workers who are paid on a fixed salary of at least \$684 may be exempt from these overtime requirements if they meet certain job duties tests.

The DOL's new rule will boost the minimum salary level from \$684 per week (\$35,568 annually) to \$844 per week (\$43,888 annually) on July 1, 2024; and it will then increase that level again to \$1,128 per week (\$58,656 annually) on January 1, 2025.

The DOL's new rule will also impact the highly compensated employee exemption (which has a significantly relaxed duties test) by increasing its total annual compensation requirement from the current level of \$107,432 to \$132,964 on July 1, 2024 and then again to \$151,164 on January 1, 2025.

Beginning on July 1, 2027, these salary thresholds will be automatically readjusted every three years based on current wage data in an attempt to account for changes in economic conditions.

While it is expected that the DOL's new rule will be faced with various legal challenges, employers do not have much time to prepare for the July 1, 2024 effective date. Therefore, they should quickly begin to prepare for the possibility of these increased salary thresholds and the impact they may have on workforces and employee classifications.

MBJ will continue to monitor these issues for any forthcoming guidance. In the meantime, please contact your MBJ attorney with any questions you may have regarding these or any of the other legal changes addressed above.

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