

CLIENT ALERT: U.S. DOL Issues Draft Regulations Overhauling White Collar Overtime Exemptions

On June 30, 2015, the U.S. Department of Labor announced a proposed change to overtime regulations that will limit the number of white collar workers who will qualify for exemption from the overtime requirement. According to regulators, "Failure to update the overtime regulations has left an exception to overtime eligibility originally meant for highly-compensated executive, administrative, and professional employees now applying to workers earning as little as \$23,660 a year." The proposed changes will increase the minimum salary level required to meet the exemption by more than double, from \$23,660 per year to \$50,440. The highly compensated salary minimum, intended to cover the top 10% of the workforce, will increase from \$100,000 per year to more than \$122,148. In a move certain to generate controversy, the labor department has proposed automatically updating minimum salary levels each year and linking them to either the cost of living or to a fixed percentile of earnings for full-time salaried workers.

In addition, in a dramatic change from prior regulations, the Department is now considering whether to also permit nondiscretionary bonuses and incentive payments to count toward a portion of the standard salary level test for these white collar exemptions.

The proposals are subject to a 60-day comment period after they are published and will likely become law early next year. The proposed regulations were expected to be released late last year but were delayed repeatedly. The text of the 295-page notice can be found here:

<http://www.dol.gov/whd/overtime/NPRM2015/OT-NPRM.pdf>

This alert was published on June 30, 2015.

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