

May 14, 2024

DEPARTMENT OF LABOR TO INCREASE THE SALARY THRESHOLD FOR EXEMPT EMPLOYEES

On April 23, 2024 the US Department of Labor issued a Final Rule impacting the salary-basis requirements for exempt employees under the Fair Labor Standard Acts (“FLSA” or the “Act”). Amongst other things, the new rule significantly increases the minimum threshold for employee overtime exemptions.

Exemptions Under the FLSA

Under the FLSA, employers are obligated to pay overtime pay at a rate of one and one-half times an employee’s regular pay rate for every hour worked beyond the standard 40-hour work week. This applies to all employees covered by the Act, unless they fall under certain exemptions. The most common of these exemptions are the Executive, Administrative, and Professional exemptions (often referred to as the “white collar exemptions”). In order to be categorized as exempt under these categories, employees must meet the baselines of two tests. First, the employee must satisfy a “duties test” to establish that the employee’s job responsibilities meet the standards for the exemption. Second, the employee must be paid a minimum salary in accordance with the Act.

Salary Threshold Changes

Effective July 1, 2024, the annual salary minimum for white-collar exemptions will increase from \$35,568.00 (\$684 per week) to \$43,888.00 (\$844 per week). Starting January 1, 2025, the threshold will increase a second time to \$58,656.00 (\$1,128 per week). This phased approach represents a salary increase of nearly 65% from current required salary levels. The threshold will continue to increase every three years, starting in July 2027, based on earnings data available at the time of the increase.

The Final Rule also increases the total annual threshold for “highly compensated” employees under the FLSA. Specifically, the minimum annual compensation threshold for a highly compensated employee is set to increase to \$151,164.00 by January 1, 2025. This threshold will also be periodically adjusted, with the next adjustment to occur in 2027.

Roughly 4 million workers are expected to be impacted by the new rule. Employers may now be forced to consider whether to adjust salaries to meet the new threshold, or reclassify workers as non-exempt and begin paying them overtime. While employers should certainly prepare to comply with the new rule by assessing the exempt status of their workforce, they should expect the rule to face various court challenges in the coming days and months.

JAH Can Help

Our experienced **employment attorneys** are monitoring the implementation of this rule and are here to assist in navigating compliance. **[Click here to contact a member of our Employment Practice Group for more information.](#)**

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