
Final Department of Labor Overtime Exemption Rule Released – Salary Threshold Increased

By Stephanie K. Rawitt / Sep 24, 2019

The U.S. Department of Labor unveiled the final version of the long-awaited overtime exemption rule on Tuesday, September 24, 2019, raising the annual salary threshold that workers need to exceed to qualify for the Fair Labor Standards Act (FLSA) white collar exemptions to \$35,568 per year or \$684 per week.

The new rule provides what lawmakers call a long overdue increase in the federal minimum salary threshold requirement, which was last updated in 2004. The new rule increases the annual salary minimum of \$23,660 by \$11,908.00 to \$35,568. This is approximately \$12,000.00 less than the increase proposed by the prior administration in 2016.

In addition to the increased salary threshold, the new rule raises the highly compensated worker threshold from \$100,000 to \$107,432. The new rule does not include a mechanism for automatic salary increases as had been proposed in the 2016 rule. The new rule does not make changes to the “duties” portion of the white collar exemption standards. However, both the duties and salary requirements must be met for an employee to qualify for the white collar exemption.

The new rule is effective January 1, 2020.

Now is the time for employers to evaluate their exempt employees' salaries to make sure that they will be in compliance with the new threshold requirements by January 1. Exempt employees who are paid less than the new minimums either must receive a salary increase to meet the new minimum requirements, or they must be reclassified as non-exempt employees and entitled to overtime pay. Employers should consult with counsel to make certain that they are in compliance not only with the imminent new rule, but with federal, state and local wage and hour laws.

If you have any questions about the new salary threshold rule, white collar exemptions under the FLSA, or any other wage and hour matter, please contact Stephanie Rawitt at srawitt@clarkhill.com | (215) 640-8515 or another member of Clark Hill's Labor and Employment Practice Group.