

New Federal Salary Threshold for Exempt Employees Is In Effect Now

Recent Department of Labor rules that set higher salary thresholds for exempt employees went into effect on January 1, 2020.

January 3, 2020

The U.S. Department of Labor (“DOL”) issued new rules establishing higher salary thresholds for employees to be exempt from overtime payments. Under the prior DOL rules, employees were exempt from overtime pay requirements if the employee made over \$455 per week (\$23,660 per year) and met certain tests regarding their job duties (i.e. they fall under the executive, administrative, professional, computer employee, or outside sales exemptions).

Effective January 1, 2020, the salary threshold for overtime exemptions is now \$684 per week (or to \$35,568 for a full work year). In addition, in order to qualify as exempt from overtime requirements under the “Highly Compensated Employee” exemption, employees must now be paid a minimum annual salary of \$107,432 (increased from \$100,000). Highly Compensated Employees are those who meet this minimum salary threshold, who perform office or non-manual work and who regularly perform one of the duties of an executive, administrative or professional employee.

Up to 10% of an employee’s salary can be made up of nondiscretionary bonuses, incentive payments, and commissions, paid on a quarterly or more frequent basis. Employers wishing to utilize these forms of compensation to meet the new minim salary threshold should confer with legal counsel. Employers should also keep in mind any applicable state wage and hour laws which may impose different requirements.

Employers who have not adjusted their rates of pay must do so immediately. We are available to answer any questions and to assist in developing a compensation plan that complies with all applicable laws.