

# LEGAL UPDATE



## DOL INCREASES COMPENSATION THRESHOLD FOR EXEMPTION ELIGIBILITY

The Department of Labor (DOL) announced on April 23, 2024, a final rule that expands the compensation threshold for exemption eligibility under the Fair Labor Standards Act (FLSA). This applies to entities that have at least two employees and have an annual dollar volume of sales or business done of at least \$500,000. On July 1, 2024, most salaried workers who earn less than \$43,888 per year will become eligible for overtime pay under the final rule, which increases the salary threshold from \$35,568 to \$43,888 per year. This threshold will increase again on January 1, 2025 to \$58,656 per year.

The FLSA requires that non-exempt workers be paid at least the federal minimum wage for all hours worked and overtime pay at not less than time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. However, Section 13(a)(1) provides an exemption from both minimum wage and overtime pay for workers who are bona fide executive, administrative or professional employees. This exemption applies when:

- + An employee is paid a salary,
- + The salary is not less than a minimum salary threshold amount (\$684 per week), and
- + The employee primarily performs executive, administrator or professional duties.

The new rule increases the minimum salary threshold amount from \$684 per week to \$844 per week effective July 1, 2024, and to \$1,128 per week effective January 2025. Thus, under this rule, a worker making less than \$58,656 as of January 1, 2025 is entitled to overtime pay even if that worker would otherwise meet the exemption's requirements.

The rule also increases the total annual compensation requirement for highly compensated employees. Currently, the FLSA contains an exemption for "highly compensated" employees who are paid total annual compensation of \$107,432 or more.

A highly compensated employee is deemed exempt from overtime pay under the FLSA if:

- + The employee earns total annual compensation of \$107,432 or more, which includes at least \$684 per week paid on a salary or fee basis;
- + The employee's primary duty includes performing office or non-manual work; and
- + The employee customarily and regularly performs at least one of the exempt duties or responsibilities of an exempt executive, administrative or professional employee.

The new rule increases the total annual compensation requirement for highly compensated employees from \$107,432 per year to \$132,964 per year on July 1, 2024, and then to \$151,164 per year effective January 1, 2025.

Starting July 1, 2027, the compensation thresholds will be updated every three years.

If you have questions about this and the potential impact on your organization, feel free to contact [julie.bingham@themjcos.com](mailto:julie.bingham@themjcos.com).

