

Insights

DOL Releases Final Rule Raising Salary and Compensation Thresholds for Overtime Exemptions

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On April 23, 2024, the U.S. Department of Labor (DOL) released a final rule, *Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees*, which increases the salary and compensation thresholds necessary to qualify for certain overtime exemptions under the Fair Labor Standards Act (FLSA) and outlines a timeline and process for future updates to such thresholds. The final rule is set to take effect on July 1, 2024.

Key Provisions – Significant Revisions

The DOL describes the final rule as providing "significant revisions" to previous FLSA regulations implementing the exemption from minimum wage and overtime pay requirements for executive, administrative, and professional employees, outside sales, and computer employees, as defined in 29 C.F.R. Part 541. The final rule increases the standard salary level and the highly compensated employee annual compensation threshold for overtime pay purposes under the FLSA and creates a mechanism to allow for the timely and efficient updating of the salary and compensation thresholds under the FLSA.

On July 1, 2024, the current standard salary level of \$684 per week (equivalent to \$35,568 per year) will increase to \$844 per week (equivalent to \$43,888 per year); the highly compensated employee total annual compensation threshold of \$107,432 per year, including at least \$684 per week paid on a salary or fee basis, will increase to \$132,964 per year, including at least \$844 per week paid on salary or fee basis. On January 1, 2025, the standard salary level will increase to \$1,128 per week (equivalent to \$58,656 per year); the highly compensated employee total annual compensation threshold will increase to \$151,164 per year, including at least \$1,128 per week paid on a salary or fee basis.

Additionally, the final rule schedules future updates of the salary standard level and the highly compensated employee compensation threshold every three years. Beginning July 1, 2027, and every three years thereafter, the standard salary level and the highly compensated employee total annual compensation threshold are to be determined by applying current earnings data to the calculation methodology in place at the time of the updates. The DOL stated that the triennial updating system "will allow for the timely, predictable, and efficient updating of the earnings thresholds."

Anticipated Impact

The DOL estimates that, within the first year of the final rule taking effect, nearly 4.3 million workers in total will be impacted. Approximately one million workers earning at least \$684 per week but less than \$844 per week will be impacted by the initial July 1, 2024, update. Subsequently, approximately three million workers earning at least \$844 per week but less than the revised standard salary level of \$1,128 per week will be impacted by the January 1, 2025, augmented standard salary level. The DOL projects that the increase to the highly compensated employee total annual compensation threshold will affect 292,000 workers.

Next Steps

Entities employing individuals in FLSA exempt positions should evaluate whether the positions are correctly classified as exempt, particularly in light of the changes to classification requirements that will take effect on July 1, 2024. Employers may also need to update job classification policies, including the frequency at which classification audits are conducted, and either increase employee salaries or reclassify positions as necessary to ensure compliance with the final rule.

Krieg DeVault LLP attorneys will continue to monitor developments related to this final rule. If you have questions about compliance with this final rule or need assistance ensuring your employees are correctly classified under the DOL's guidelines, please contact Shelley M. Jackson, Virginia A. Talley, Chloe N. Craft, or any member of Krieg DeVault's Labor and Employment Practice.

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