



NEW OVERTIME RULE EXTENDS OVERTIME PAY TO OVER 4 MILLION WORKERS

On May 18, 2016, President Obama and Secretary of Labor Perez announced the publication of the Department of Labor's final rule updating overtime regulations. This final rule raises the threshold salary level at which executive, administrative and professional (white collar) employees are exempt from overtime pay under the Fair Labor Standards Act (FLSA). Beginning **December 1, 2016**, the threshold salary level will be increased from \$23,660 (\$455 per week) to \$47,476 (\$913 per week). The Labor Department estimates that the rule would boost extend overtime pay to 4.2 million workers within the first year of implementation. Below are a few notes on what FLSA is and how the changes may affect your business:

WHAT IS FLSA?

The FLSA establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments.

- FLSA applies only to a company's employees, not independent contractors.
- FLSA requires employers to compensate non-exempt employees for any hours worked over 40 hours in a FLSA work week.

WHEN DOES THE NEW STANDARD GO INTO EFFECT?

December 1, 2016.

HOW DOES THE NEW OVERTIME RULE AFFECT EMPLOYERS?

- Under the new rule change, employees who earn less than \$47,476 per year must receive payment for all hours worked in excess of 40 hours per week.
- Employers are permitted to use discretionary bonuses and incentive payments to satisfy up to 10 percent of threshold salary level.
- Employers may choose to raise the salaries of employees who were exempt under the former rule.
- Employers may choose to pay their formerly exempt employees time-and-a-half for overtime work.
- Employers may choose to limit previously exempt employees' work to 40 hours per week.
- The new rule also raises the compensation level for highly compensated employees from \$100,000 to \$134,004 annually.
- Not all employees whose salaries meet or exceed the new threshold salary level (\$47,476) are considered exempt. Employees must also perform certain executive, professional or "white collar" job functions to be excluded from the overtime pay rule.