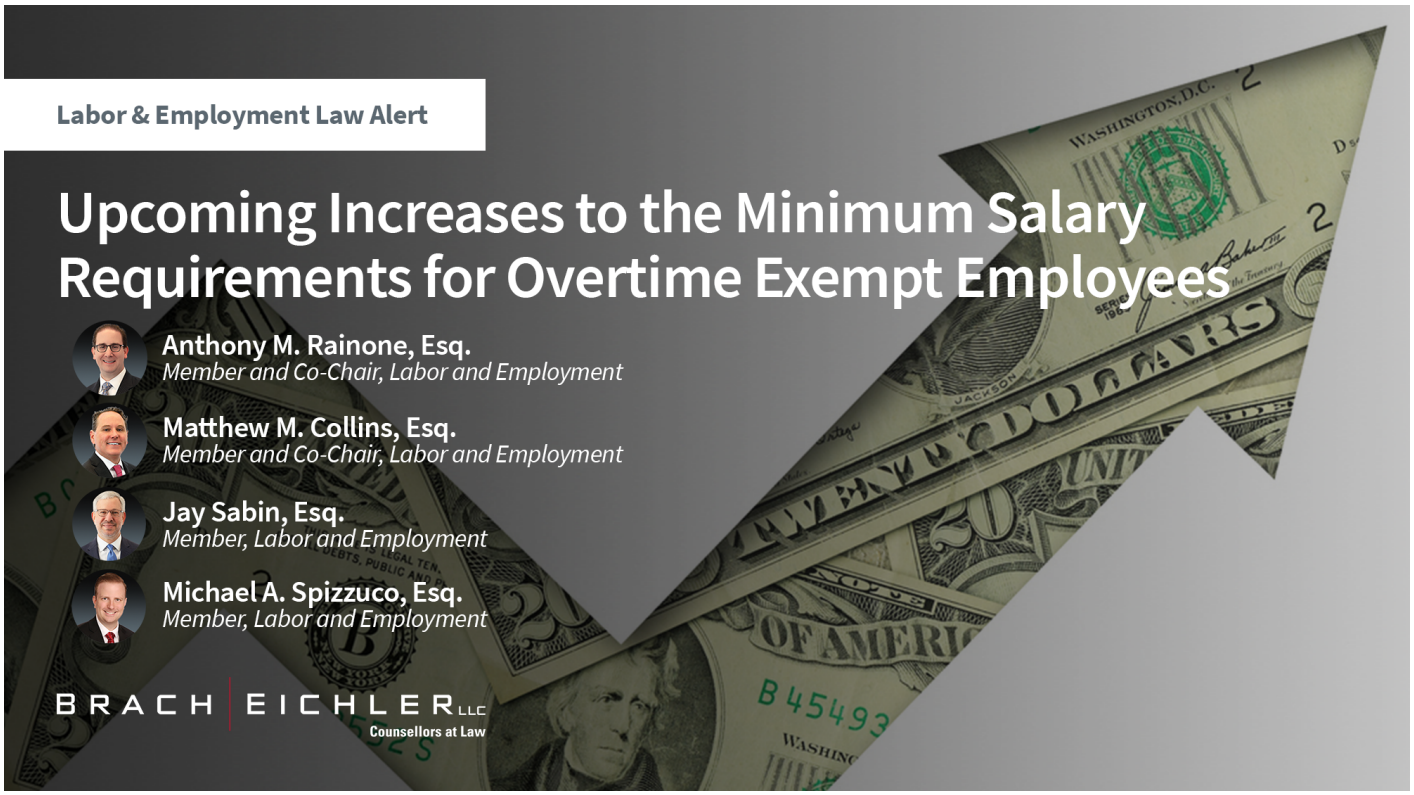
Upcoming Increases to the Minimum Salary Requirements for Overtime Exempt Employees



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Employers must correctly classify employees as either overtime eligible or overtime exempt. One fundamental aspect of proper classification is minimum salary. Effective July 1, 2024, the minimum salary thresholds to exempt executive, administrative, and professional employees from overtime will increase nationwide, and will continue to increase thereafter.

The new rule, from the U.S. Department of Labor ("USDOL"), will increase the minimum salary threshold from $684/week to $844/week (the equivalent of $43,888.00 annually) as of July 1. Six months later, on January 1, 2025, the minimum salary thresholds will increase again, from $844/week to $1,128/week (the equivalent of $58,656 annually). Increases may also go into effect in July 2027 and every three years thereafter.

The USDOL has also increased the minimum annual compensation for employees to be exempt from overtime as "highly compensated employees." To satisfy this overtime exemption, such employees will have to receive total compensation of at least $132,964.00 annually as of July 1, 2024 and $151,164.00 annually as of January 1, 2025.

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There is uncertainty whether the USDOL's new rules will go into effect. The last time the USDOL attempted to increase the salary minimums, in 2016, a federal district court issued an injunction, enjoining the endeavor nationwide on the grounds that

the rule was extra-statutory and irrational. It also possible that a Republican administration after the November 2024 elections might retract the rule, particularly if it has not yet gone into effect.

Employers must also comply with their respective state's minimum salary thresholds for the overtime exemption, which may be greater than those established by the USDOL. These local minimums can vary by jurisdiction, by year, and by type of employee. For example, in New York, the minimums for some types of employees increase annually and depend on where the employee works. The following chart shows the minimum salaries in New York to exempt executive and administrative employees from overtime:

Work Sites	2024 Threshold	2025 Threshold	2026 Threshold
New York City, Nassau, Suffolk, and Westchester	$1,200.00 per week / $62,400.00 annually	$1,237.50 per week / $64,350.00 annually	$1,275.00 per week / $66,300.00 annually
All other NY counties	$1,124.20 per week / $58,458.40 annually	$1,161.65 per week / $60,405.80 annually	$1,199.10 per week / $62,353.20 annually

If an employer does not pay the applicable minimum salary, the employee will be overtime eligible regardless of the employee's duties (with exceptions for certain commissioned salespersons). Improper classification can result in double damages when an employer has not made a good faith attempt to comply with the law and did not have a reasonable basis to believe its classification was correct. An employer's failure to pay the minimum salary would almost certainly fall into that category.

As a result, employers should carefully review the USDOL rule and analyze its impact on their workforce by compiling data about which employees would require salary increases to continue to be overtime exempt. Employers should also use that review to assess each employee's duties. Misclassification more typically arises from misjudging whether the tasks performed by the employee satisfy an applicable overtime exemption.

For more information on the DOL's salary thresholds and for questions regarding whether your employees are properly classified as overtime exempt please contact Jay Sabin at:

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