



Electronic Alert

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U.S. Department of Labor Raises Salary Threshold for Exempt Employees

By Chris Morgan

The United States Department of Labor has issued its long awaited renewal of an Obama administration proposal to raise the salary threshold for “exempt” employee qualification under the Fair Labor Standards Act.

The final rule, which goes into effect beginning on January 1, 2020, raises the standard salary level for exempt qualification from \$455.00 per week to \$684.00 per week—equivalent to \$35,568.00 per year. Employers will be allowed to use nondiscretionary bonuses and incentive payments (including commissions) to “satisfy up to 10%” of the minimum standard salary level. In addition, the final rule raises the total annual compensation requirement for qualification as a “highly compensated employee” from \$100,000 per year to \$107,432 per year.

What Does it Mean?

Millions of workers who previously qualified as exempt will no longer qualify, and instead should be properly classified as non-exempt employees eligible for overtime pay. Employers should look at exempt employees who meet the current threshold, but who otherwise would fail to meet the new threshold of \$684.00 per week or \$35,568.00 per year. These employees should be re-classified as non-exempt beginning on January 1, 2020, and will thereafter be immediately eligible for overtime pay for hours worked in excess of 40 per week.

Just Remember

The salary threshold is just half of the equation. In addition to satisfying the salary threshold, an employee’s “duties” must also otherwise qualify them for exemption under one of the several exemptions set out under state and federal law—including but not limited to exemption as a qualified executive, administrative, or professional employee.

To avoid potential liability for unpaid overtime and associated penalties, employers should be diligent about ensuring that exempt employees are actually properly classified as exempt. With the final rule going into effect at the beginning of the new year, now is a critical time for employers to review the classification status of all of their employees in order to ensure compliance.

For more information on the new rule and what it means for your business, contact Chris Morgan at 503-276-2144 or cmorgan@barran.com.