

Overtime Pay Eligibility Rules May Effect Your Exempt Employees



The rule expanding overtime pay eligibility for salaried employees has been released. Effective **December 1, 2016**, any employee making less than \$47,746 per year is entitled to be paid overtime, including salaried employees. The current “exempt from overtime” salary threshold is \$23,660.

What Does This Mean For You?



EXEMPT:

Salary is \$47,746 or more

Any employee that you wish to continue to classify as exempt must be paid a **minimum salary of \$47,746** by December 1, 2016 (these numbers are indexed to increase again in 2020 and every three years thereafter)

AND



NON-EXEMPT:

Salary is less than \$47,746 + overtime for >40 hrs

Any salaried employee that is not paid the minimum salary of \$47,746 will become overtime eligible (meaning that the employee will be entitled to receive overtime pay under federal law for **any hour worked** over 40 in a workweek)

Here is an Example to Illustrate the Point:

Jacob works at ABC Company as an historically exempt manager. He is paid \$30,000 per year and works, on average, 50 hours per week. As a result of the revised rule, on December 1, 2016, if Jacob must continue working 50 hours per week, ABC Company will need to either (i) increase his salary by \$17,476 or (ii) implement a way to keep track of Jacob’s hours worked and pay him overtime premiums for the 10 “overtime” hours he works each week.



OPTION A:

Start Paying Overtime

If you keep the employee’s salary as is, reclassify the employee as non-exempt, and start tracking hours and paying overtime, the estimated annual overtime earnings are: **\$10,817.31**

OR



OPTION B:

Increase Employee Salary

To meet the new minimum salary of \$47,476 in order to maintain the employee’s exempt status, increase the employee’s salary by: **\$17,476.00**

183 Days and Counting...



As of June 1, employers have 183 days to evaluate how these changes will impact the bottom line, communicate changes to employees, and implement adjustments to employees’ pay, classification, and jobs that the new rule necessitates.