



ALERTS

New Overtime Eligibility Rules: DOL Increases Salary Threshold

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On Sept. 24, the U.S. Department of Labor (DOL) issued its [final overtime rule](#), which is expected to make an estimated 1.3 million workers eligible for overtime under the Fair Labor Standards Act (FLSA). The new rule goes into effect Jan. 1, 2020.

Most notably, the new overtime rule increases the minimum salary threshold for an overtime exemption from \$23,660 per year to \$35,568 per year.

The new rule makes no changes to the existing duties tests for overtime exemptions.

Here are a few changes to the DOL's new rule:

- Raises the “standard salary level” to \$684 per week (from the current weekly minimum of \$455)
- Raises the total annual compensation level necessary to for the “highly compensated employees” (HCE) exemption to \$107,432 per year (from the current annual minimum of \$100,000)
- In recognition of evolving pay practices, the rule permits employers to satisfy up to 10 percent of the standard salary level with nondiscretionary bonuses and incentive payments (including commissions) that are paid at least annually
- Revises the special salary levels for workers in U.S.

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- Revises the “base rate” for employees in the motion picture industry

Unlike the overtime rule proposed by the Obama administration, the DOL’s new overtime rule does not automatically increase the minimum salary threshold, and the increase is less than Obama’s administration had proposed.

Challenges to the rule are expected. However, in the meantime, the DOL’s new overtime rule will affect employers’ classification of employees in numerous industries, especially in the retail and service sectors. Employers should consider reviewing their existing compensation policies and practices to ensure compliance ahead of the new rule’s effective date.

To obtain more information, please contact the Barnes & Thornburg attorney with whom you work, or Peter J. Wozniak at 312-214-2113 or peter.wozniak@btlaw.com or Mark W. Wallin at 312-214-4591 or mark.wallin@btlaw.com.

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