

Department of Labor's  
Updated Overtime Rule

# FAQ's



## What is the Overtime Rule?

The Fair Labor Standards Act (FLSA) requires employers to pay covered nonexempt employees overtime for hours worked over 40 in a workweek.

## Are there exemptions?

Yes! But, exemptions are fact specific. Common exemptions include the "White Collar Exemptions" for Executive, Professional and Administrative employees.

## How does an employee qualify for an Executive, Administrative or Professional exemption?

The employee needs to be paid on salaried basis, be paid at least a minimum amount and perform certain duties.





## What does the “New” or “Updated” Department of Labor Overtime Rule do for Executive, Professional and Administrative employees?

The Department of Labor's “new” or “updated” rule increases the minimum salary that needs to be paid. The minimum salary for qualifying executive, administrative and professional employees will increase per the below:

### *Effective July 1, 2024*

- \$844 per week (approximately \$43,888 per year) from its current level of \$684 per week (approximately \$35,568 per year)

### *January 1, 2025*

- \$1,128 per week (approximately \$58,656 per year)

### *July 1, 2027, and every three years thereafter*

- In an amount to be determined using data and a methodology identified in the rule.

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## What about Highly Compensated Employees (HCE)?

HCEs are also impacted by the rule and the rule increases the total annual compensation threshold required for an employee to qualify as an HCE per the below: Effective

### *July 1, 2024*

- \$132,964 per year, including at least \$844 paid on a weekly basis.

### *January 1, 2025*

- \$151,164 per year, including at least \$1,128 paid on a weekly basis.

### *July 1, 2027, and every three years thereafter*

- In an amount to be determined using data and a methodology identified in the rule

*Note that like the other exemptions noted above there is more to an HCE exemption than just the total compensation.*

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## How do the new rules impact employers?

Employers will need to (i) reclassify previous exempt employees making less than the new minimum salary amounts as non-exempt or (ii) increase pay.

As a reminder, the amounts paid to an employee is not determinative under the Executive, Administrative or Professional exemptions.



## What should employers do next to comply with the new overtime rules?

We recommend that employers prepare by:

- Compiling a list of U.S. employees that will be impacted
- Deciding whether to increase pay or reclassify impacted employees (and instituting systems that will allow the employer to comply with the law and overtime rule if the decision is to reclassify)
- Develop and implement a communication plan



## Isn't the rule being challenged?

Yes, but the cases are still working through the court system. On Friday June 28, a Federal Court stopped the rule from going into effect for the State of Texas as an employer. The rule still went into effect for other employers and employers need to comply until a court says otherwise.

## Where can employers find more information and guidance on the new overtime rules?

Employers can visit the Department of Labor's website for detailed information and resources.

<https://www.dol.gov/agencies/whd/overtime/rulemaking>

Or contact SSSB partner, Mike Schauer, at [mschauer@sssb-law.com](mailto:mschauer@sssb-law.com).



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