

More Employees May Be Eligible for Overtime Pay On January 1, 2025

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EINPresswire.com/ -- The U.S Department of Labor, Wage and Hour Division, released final regulations on April 23, 2024 regarding [new salary thresholds for exemption from overtime pay](#) under the Fair Labor Standards Act (FLSA). Effective July 1, 2024 employees earning less than \$43,888 were required to earn overtime pay. The previous salary threshold had been \$35,568.

On July 1, 2024 employers either increased the salaries of exempt employees, as needed, to at least \$43,888 or reclassified the employees

as nonexempt. Employers should be preparing now to make similar decisions about employee salaries effective January 1, 2025 when the new salary threshold is set to become \$58,656.

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At PerformancePoint LLC we have helped several clients navigate these specific FLSA challenges, and we have the consulting expertise to assist with all facets of employee compensation.”

Jennifer Blake, CCP



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Furthermore, future updates to the salary threshold will take place three years after the initial update on 7/1/24, in other words on 7/1/27 and every three years thereafter.

The Department of Labor estimated that in Year 1, approximately 1 million employees would be impacted by the initial change effective 7/1/24. The change in salary threshold scheduled for 1/1/25 is estimated to impact approximately 3 million employees according to the Department of Labor in the Executive Summary of its Final Regulations.

The FLSA provides exemption from minimum wage and overtime for employees in “executive,

administrative, or professional” jobs as well as outside salespeople and certain computer workers. This means jobs must be classified as either “nonexempt,” i.e., subject to minimum wage and overtime pay, or “exempt” from the provisions of the law.



The first step in determining whether a job is exempt is checking to see if the employee is paid at or above the current salary threshold. The second step is to see if the employee is paid a fixed salary regardless of hours

worked. If the answer is “yes” to both questions the employer must be able to prove the employee’s job duties primarily involve executive, administrative, or professional responsibilities.

Employers should be identifying the employees in exempt jobs whose salaries are below \$58,656 now. Employers have two choices regarding how to comply with the new FLSA regulations.

The first option is to change the status of an employee’s job to nonexempt. While the FLSA regulations are specific about criteria that allows a job to be categorized as exempt, any job may be labeled nonexempt. When an employee’s job becomes nonexempt the employee becomes eligible for overtime pay for hours worked over 40 hours in one week. Overtime is paid at 1.5 times an employee’s regular rate of pay. Nonexempt employees are paid by the hour; therefore, any time an employee is not working is either unpaid or the unworked hours must be paid out of a benefit plan such as sick or vacation time.

The second option is to raise the employee’s salary to at least the new salary threshold of \$58,656. The employee may then retain their exempt status assuming the job meets the other criteria for being exempt. The change in employee salary must take place on or before 1/1/25.

When considering which option makes the most sense employers should estimate how much overtime an employee might earn should the job be converted to nonexempt. The estimated overtime will be an indicator of the increased salary expense should the job be converted.

Alternatively, if the employer decides to increase the employee's salary to the new salary threshold the increased salary expense will be the difference between the employee’s current and adjusted salary. Money added to an employee's base salary becomes a permanent cost and any future pay increases will be added to the increased base pay.

Although technically possible [employers should avoid categorizing employees differently](#) if they

are doing the same job. In other words, if an employer has five employees doing the same exempt job, and three employees' salary is below the new threshold, the job should be categorized the same for all employees. Perhaps the employer converts the job to nonexempt so all employees in the job are eligible for overtime. Otherwise, the three employees with salaries below the threshold should all receive an increase in pay up to or above the new threshold.

July 1, 2024 has come and gone and the new regulation increasing the salary threshold to \$43,888 is in place. However, court cases are pending basically claiming the Department of Labor does not have the authority to set and update a minimum salary for white-collar exemptions. It is possible that between now and 1/1/25 one of these cases may be finalized in a way that puts a hold or complete stop to the implementation of the 1/1/25 salary threshold increase.

In the meantime, employers are well advised to continue preparing for the 1/1/25 implementation of the second half of the salary threshold increase.

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