

Attention Employers: Minimum Salary Thresholds for Overtime Eligibility to Increase July 1, 2024

The U.S. Department of Labor (DOL) issued its highly anticipated final rule to increase the minimum salary thresholds for overtime eligibility under the Fair Labor Standards Act (FLSA) on April 23, 2024. The new final rule largely adopted the proposed rule that we wrote about in a previous [alert](#), with some additional changes. As the minimum salary thresholds in the final rule are set to increase beginning July 1, 2024, employers should be preparing to implement salary adjustments or classification changes to their workforce, as applicable. The final rule includes a two-step increase of approximately \$23,000 over the next year to the required annual minimum salary thresholds for white-collar overtime exemptions under the FLSA.

While the DOL's new rule does not implement any changes to the job duties tests for overtime exemptions, the minimum salary thresholds that many employees will now be required to receive in order to lawfully be considered exempt under the FLSA significantly increase from the current minimum salary threshold of \$684 per week, or \$35,568 annualized. Specifically, effective July 1, 2024, the threshold will be raised to \$844 per week, or \$43,888 annualized, and effective January 1, 2025, the threshold will be raised to \$1,128 per week, or \$58,656 annualized.

In addition to the above-referenced exemptions, the minimum salary threshold for highly compensated employees under the FLSA pursuant to the new final rule will increase from \$107,432 to \$132,964 annually beginning July 1, 2024 and then to \$151,164 annually beginning January 1, 2025.

| Minimum Salary Threshold for: | Current | July 1, 2024 | January 1, 2025 |
|---|--|--|--|
| Executive, Administrative and Professional Exemptions | \$684 per week, or \$35,568 annualized | \$844 per week, or \$43,888 annualized | \$1,128 per week, or \$58,656 annualized |
| Highly Compensated Employee Exemption | \$107,432 annually | \$132,964 annually | \$151,164 annually |

The new final rule also puts in place a mechanism for continuing increases to the minimum salary threshold, beginning July 1, 2027, to be implemented every three years based on then current nationwide earnings data.

The new final rule will expand overtime eligibility for millions of workers throughout the country in jurisdictions where applicable state or local law has not already increased the salary thresholds for exemptions from overtime compensation. For example, New York employers and those in other jurisdictions which have already increased minimum salary thresholds may not be affected by the new final rule or may only need to make modest adjustments to exempt employee salaries. Indeed, New York recently increased the minimum salary thresholds for the executive and administrative overtime exemptions on January 1, 2024 to (i) \$1,200 per week, or \$62,400 annualized, in New York City and the counties of Nassau, Suffolk and Westchester and (ii) \$1,124.20 per week, or \$58,458.40 annualized, in the remainder of New York State. New York has also accounted for minimum salary threshold increases tied to earning data in the future as well.



While the new final rule may face legal challenges, which could affect implementation, employers should be preparing for compliance, if they have not implemented changes already, by evaluating their employee classifications and pay practices to understand potential adjustments needed before the new final rule takes effect on July 1, 2024.

Key Contacts

Our Labor & Employment Law team is available to help employers navigate wage and hour compliance issues under the FLSA and related state and local regulations and guidance, and to provide counseling and assistance in addressing potential classification and reclassification issues as appropriate and needed.

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