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DOL Rule Will Substantially Increase Minimum Salary Thresholds for Most Exempt Employees

On April 23, 2024, the U.S. Department of Labor (“DOL”) released a new final rule that significantly increases the minimum salary threshold to qualify for the executive, administrative, professional, and highly compensated employee exemptions under the Fair Labor Standards Act (“FLSA”). Initial increased salary thresholds are scheduled to take effect on July 1, 2024, followed by additional increases just 6 months later on January 1, 2025, and then followed by automatic increases in subsequent years. Employers must act quickly to prepare for the implementation of this new rule, which will impact approximately 4 million workers nationwide. More specifically, absent any successful legal challenges, employers will need to either (A) raise the salaries of many exempt employees, or (B) reclassify certain exempt employees to non-exempt and overtime eligible, while also accounting for the impact these compensation changes may have on the employer’s overall compensation schemes. We discuss the rule and implications for employers below.

The New Salary Thresholds

Under the DOL’s new FLSA rule, as of July 1, 2024:

- The minimum salary threshold to qualify for the executive, administrative, and professional employee exemptions will be **\$844 per week (\$43,888 annually)**.
- The minimum earning threshold to qualify for the highly compensated employee exemption—a worker who customarily and regularly performs any one or more of the exempt duties or responsibilities of an exempt executive, administrative, or professional employee will increase to **\$132,964 annually**.

The DOL's new FLSA rule raises these minimum thresholds as follows:

Year	Executive, Administrative, and Professional Employee Salary Threshold	Highly Compensated Employee Salary Threshold
<i>By July 1, 2024</i>	\$844 per week (\$43,888) annually	\$132,964 annually
<i>By January 1, 2025</i>	\$1,128 per week (\$58,656 annually)	\$151,164 annually
<i>Beginning July 1, 2027, and Every Three (3) Years Thereafter</i>	DOL will automatically update the salary thresholds for executive, administrative, professional, and highly compensated employees based on earnings data.	

Implications of the Rule and Next Steps for Employers

It is likely that there will be many lawsuits challenging the new rules. In the meantime, it seems safest to comply rather than devote the time and expense of challenging the new rules. Absent legal challenges, the DOL's new FLSA rule will take effect on July 1, 2024, meaning employers must act quickly. Employers should determine which employees will be impacted by the increases, covering salary-exempt employees. You may want to consider whether you will increase the salaries of exempt employees to meet the new minimum threshold or reclassify certain employees as nonexempt and overtime eligible. Remember, simply paying a person a "salary" does not automatically exempt them from the overtime requirements of the law. Much depends upon their job responsibilities and authority.