

U.S. Department of Labor Finalizes Rule To Increase Salary Thresholds For Exempt Employees Under The Fair Labor Standards Act

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The U.S. Department of Labor has finalized a new rule that increases the salary thresholds for exempt employees under the Fair Labor Standards Act (FLSA). This new rule is intended to expand overtime opportunities for millions of workers. On July 1, 2024, the salary threshold for exempt employees will increase to \$43,888 (\$844 per week). On January 1, 2025, it will increase again to \$58,656 (\$1,128 per week). The rule applies to all workers that meet the requirements of the executive, administrative and professional exemptions.

The new rule also increases the salary threshold under the highly compensated exemption to \$132,964 on July 1, 2024 and again to \$151,164 on January 1, 2025. The salary thresholds will increase every three years beginning on July 1, 2027. The Department of Labor has published a chart that exhibits compensation thresholds under both current regulations and for when the new rule goes in effect.

While the new rule is likely to face legal challenges, employers should begin to prepare for it going into effect. There are several steps that employers can take to prepare for its implementation, such as (1) identifying the employees that may be affected by salary increases to determine whether their compensation should be adjusted or whether an employer no longer wishes to take the exemption to avoid the salary increase, (2) conducting an audit to confirm that affected employees are properly

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classified as exempt and (3) preparing how to best communicate to employees any changes to their compensation and work duties.

If you have any questions regarding the implications of this new rule on your business or how to prepare for it going into effect, please contact a Laner Muchin attorney.