

The Department of Labor has finalized Updated Overtime Rules regarding “White Collar Exemptions” for salaried exempt employees. The new regulations will be effective December 1, 2016.

The Federal Labor Standards Act (FLSA) provides an exemption from both the minimum wage and overtime provisions if the employee generally meets three tests. To qualify, an employee must:

- 1) be paid on a predetermined and fixed salary basis
- 2) be paid a certain minimum salary and
- 3) meet ALL of the specific job duties associated with exempt executive, administrative, professional, outside sales or computer employees. (Highly compensated employees need only meet one of the job duties tests)

IMPORTANT CHANGES TO THE EXISTING LAW INCLUDE THE FOLLOWING:

New Minimum Salary Requirement increased to \$913/week or \$47,476/yr; previously \$455/wk or \$23,660/yr

Highly Compensated Employee (HCE) Annual Salary requirement increased to \$134,004; up from \$100,000.

Employers can now use nondiscretionary bonuses and incentive payments including commissions to satisfy up to 10% of the standard salary level as long as they are paid on at least a quarterly basis (up to \$91 of the \$913/wk threshold).

Salary levels will be updated automatically every three years to adjust for inflation.

No changes to duties test.

Job titles alone do not determine exempt status and neither does being paid a particular salary. Both salary requirements and specific job duties must be considered and all requirements met in order for the exemption to apply.

WHAT TO DO NOW TO PREPARE?

Review your payroll and identify exempt employees with salaries below the new threshold.

Determine the number of hours generally worked by those employees.

Evaluate whether to increase salaries or transition to a non-exempt status.

Review job duties of all employees claiming exempt salaried status to ensure the applicable white collar duties tests are met.

If transitioning to a non-exempt status, consider how and how much those employees will be paid, how those employees will record the hours worked, and whether overtime will be allowed.

If you have questions regarding these new regulations and how they apply to your business and employees, please contact either Tammy Mearig or the person in charge of your account....we are always here to help. For a complete comprehensive guide and more detailed information on the duties requirements for executive, administrative, professional and outside sales classifications, please see the Small Entity Compliance Guide on our website at <http://www.acuitycpas.com/resources/business-compliance/payroll-resources/>