

PAYROLL NEWS UPDATE

Effective July 1, 2024, the US Department of Labor has announced a final rule, *Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees*. Attached are several Fact Sheets from the Wage and Hour Division of the US Department of Labor, outlining the new ruling in detail plus explaining who qualifies for the salary exemptions for minimum wage and overtime purposes.

Please review these documents to see if you have any employees who will be affected by the new ruling.

To summarize:

Salaried employees who are exempt from overtime pay will be subject to the new minimum wage ruling. The new minimum wage requirement, effective July 1, 2024, will be a salary of not less than \$844.00 per week (equivalent to \$43,888 per year) or a rate of not less than \$21.10 an hour.

By January 1, 2025, this weekly salary amount will increase to \$1,128.00 per week (equivalent to \$58,656 per year) or a rate of not less than \$28.20 per hour.

Please note: This increase applies to EXEMPT salaried employees only. That is, only those employees who are NOT subject to regular minimum wage and overtime. Their exempt status is defined by specific requirements set forth by the US Department of Labor as outlined below.

A qualified exempt employee is paid at least the salaried minimum wage set by the Department of Labor regardless of the hours worked and no overtime pay is required. Neither is pay to be reduced if hours worked are less than 40 hours per week.

IF YOU ARE NOT PAYING SALARIED EMPLOYEES OVERTIME:

1. Do those employees qualify as exempt from overtime under one of the following guidelines? (see following fact sheets for detailed explanations of the qualification.)

a. Executive

- Must be paid on a salary basis at a rate of not less than \$844.00 per week effective July 1, 2024 or \$1,128.00 per week effective January 1, 2025.
- Includes managing the enterprise or a recognized department
- Direct the work of two or more employees
- Have the authority to hire or fire employees or have significant recommendations as to the hiring or firing of employees.

b. Administrative

- Must be paid on a salary basis at a rate of not less than \$844.00 per week effective July 1, 2024 or \$1,128.00 per week effective January 1, 2025.
- Primary duty must be performance of office work directly related to management or general business operations of employer.
- Primary duties includes exercise of discretion and independent judgement with respect to matter of significance.

c. Learned Professional

- Must be paid on a salary basis at a rate of not less than \$844.00 per week effective July 1, 2024 or \$1,128.00 per week effective January 1, 2025.
- Perform work requiring advance knowledge which is predominantly intellectual, requiring consistent discretion and judgement.
- Advanced knowledge must be in a field of science or learning.

d. Computer Employee

- Must be paid on a salary basis at a rate of not less than \$844.00 per week effective July 1, 2024 or \$1,128.00 per week effective January 1, 2025, or an hourly basis at a rate of not less than \$27.63 per hour.
- Must be a computer systems analyst, programmer, engineer, or other similarly skilled worker.
- Work must be connected to Systems Analysis.
- Work must be connected to design, documentation, testing, and creation of programs.
- See wage and hour division worksheet for full details regarding all qualifications for computer employees.

2. The ruling does not apply to Teachers, Practice of Law or Medicine, Highly Compensated Employees, or Outside Sales employees.

3. Clergy do not fall under the FLSA guidelines, and most indicators point to the fact that the requirements do not apply to them. We recommend obtaining further legal guidance regarding clergy status and the new ruling.

If you have salaried employees who qualify as exempt from overtime pay under these guidelines, this ruling does apply to those employees, and **they must be paid at least the new minimum salary of \$844.00 per week or hourly rate of \$21.20. Note special hourly rate requirement for computer employees.**

If you have salaried employees who do NOT meet the criteria to be exempt from overtime, you may continue to report their wage as salary. You will also need to take the following steps:

1. Track the employee's hours worked per scheduled work week.
2. Make sure they meet the federal/state minimum wage requirement for hourly wages.
3. Pay overtime rate for any hours worked over 40 in a work week.
4. Another option is to move the employee to hourly and pay an hourly rate at or above the federal or state minimum wage. Pay overtime rate for any hours worked over 40 in a workweek.

If you have questions regarding the new wage ruling, please feel free to contact Payroll Partners at 913-338-3500. Please ask to speak to Ladeana Henry or Cathy Campbell.

Thank you.