

U. S. DOL Institutes a Change to the Salary Thresholds to FLSA Exemptions

The United States Department of Labor (“DOL”) issued a final rule on April 23, 2024, “Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees,” revising certain salary thresholds under the Fair Labor Standards Act (“FLSA”). The final rule has an effective date of July 1, 2024, with further delineated changes on January 1, 2025.

For background, the FLSA provides categories of employees that are “exempt” from overtime payments; relevant to the instant rule are the salary requirements for exemptions for executive, administrative, professional, as well as the highly compensated employees.

- Under the new rule, to qualify as an “exempt” executive, administrative, or professional employee, effective July 1, 2024, the worker must meet a salary threshold and receive a minimum yearly salary of \$43,888 (\$844 per week). Effective January 1, 2025, this salary threshold will increase to \$58,656 (\$1,128 per week).
- Currently, the salary requirement to qualify as an “exempt” executive, administrative, or professional employee is \$35,568 per year (\$684 per week).
- The new rule also increases the salary threshold to qualify for the highly compensated employee exemption. Currently, the salary level for highly compensated employees is a minimum annual salary of \$107,432. Effective July 1, 2024, the salary threshold for highly compensation employees will raise to an annual salary of \$132,964; effective January 1, 2025 the salary threshold will raise to an annual salary of \$151,164.
- The DOL rule provides that the aforementioned salary thresholds will update every three years, starting July 1, 2027.

Due to the significant increase in the aforementioned salary thresholds, the rule will have a widespread effect on the workforce. Legal challenges to the new rule are anticipated. However, employers must be prepared to implement the new rule to their workforce should the anticipated legal challenges not be successful.

This information is provided as a public service to highlight matters of current interest and does not imply an attorney-client relationship. It is not intended to constitute a full review of any subject matter, nor is it a substitute for obtaining specific legal advice from appropriate counsel

New York employers should understand that the New York State Department of Labor has its own rules regarding salary thresholds for exemption which preempt the most recent federal rules where the state salary threshold requirements are higher. Specifically, to qualify as an "exempt" executive or administrative employee in New York City, Long Island and Westchester, the worker must receive a minimum annual salary of \$62,400 (\$1,200 per week) and in the rest of New York State a minimum salary of \$58,458.40 (\$1,124.20 per week). New York has no minimum salary threshold for an "exempt" professional employee. Out of state employers should check their state and local laws, which may address higher minimums for exemptions.

Phillips Nizer will provide further updates as developments occur.

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