

2020 FLSA Overtime Rule



What you need to do NOW to remain compliant with the New Overtime Regulations Effective January 1, 2020

The “bottom line” question for employers is:

Are my current salaried exempt employees going to remain “exempt”?

- a. If the answer is YES, then the new weekly salary rate is going up from \$455/week (\$23,660 annually) to \$684/week (\$35,568 annually).
- b. If the answer is NO, then the employee will need to be reclassified to “non-exempt” or “hourly” and paid for all time worked over 40 hrs in a workweek at 1 ½ times the employee’s regular rate of pay.

Key Provisions of the Final Rule

The Final Rule focuses primarily on updating the salary and compensation levels needed for Executive, Administrative and Professional (EAP) workers to be exempt. Specifically, the Final Rule:

- Sets the standard salary level at the 20th percentile of earnings of full-time salaried workers in the lowest-wage Census Region, currently the South (\$684 per week; \$35,568 annually for a full-year worker);
- Sets the total annual compensation requirement for highly compensated employees (HCE) subject to a minimal duties test to the annual equivalent of the 80th percentile of full-time salaried workers nationally (\$107,432); and
- Updating – Experience has shown that fixed earning thresholds become substantially less effective over time.

In the final rule, the Department reaffirms its intent to update the earnings thresholds more regularly (quadrennially or every 4 years) in the future through notice-and-comment rulemaking.

- **The effective date of the final rule is January 1, 2020.** The initial increases to the standard salary level (from \$455 to \$684 per week) and HCE total annual compensation requirement (from \$100,000 to \$107,432 per year) will be effective on that date.



How will employers implement the updated salary level requirement established in this Final Rule?

Employers have a range of options for responding to the updated standard salary level:

1. Employee remains Exempt from Overtime. Increase the salary of an employee who meets the duties test to at least the new salary level to retain his or her exempt status. New Salary Level = \$684/week.
2. Employee reclassified from Salary Exempt to Hourly. Pay an overtime premium of one and a half times the

employee's regular rate of pay for any overtime hours worked.

To control cost, manage the employees overtime hours worked.

The circumstances of each affected employee will likely impact how employers respond to this Final Rule. For example, employers may be more likely to give raises to employees who regularly work overtime and earn slightly below the new standard salary level, in order to maintain their overtime-exempt status so that the employer does not have to pay the overtime premium. For employees who rarely or almost never work overtime hours, employers may simply choose to pay the overtime premium whenever necessary. The Department accounted for

these (and other) possible employer responses in estimating the likely costs, benefits, and transfers of the Final Rule.

What has MY HR Professionals done to assist employers with compliance opportunities?

MY HR Professionals has already analyzed each Client and “flagged” employees who no longer meet the minimum salary requirement of \$684/week to be exempt from overtime, and you will receive notification from the Payroll Department with this information if your business is affected.



If you have any further questions regarding these changes, please contact **MY HR Professionals** at 1-800-940-8706, (479) 474-7752, or visit our website for more information about **MY HR Professionals** at www.myhrprofessionals.com; or visit the U.S. Department of Labor’s website for more information about the new overtime rule at: <https://www.dol.gov/whd/overtime2019>

TENTATIVE – States with Minimum Wage Increases Effective 01/01/2020

STATE	NEW RATE/Per Hour	STATE	NEW RATE/Per Hour
Alaska	\$10.19	Minnesota*	\$10.00
Arizona*	\$12.00	Missouri	\$9.45
Arkansas	\$10.00	Montana	\$8.65
California*	\$13.00	Nebraska	TBD
Colorado	\$12.00	Nevada	\$9.00
Connecticut	\$11.00	New Jersey	\$11.00
Delaware	\$9.25	New Mexico*	\$9.00
Florida	\$8.56	New York*	\$11.80
Illinois*	\$9.25	Ohio	\$8.70
Maine*	\$12.00	Oregon*	\$11.25
Maryland*	\$11.00	South Dakota	\$9.30
Massachusetts	\$12.75	Vermont	\$10.96
Michigan	\$9.65	Washington*	\$13.50
		West Virginia	TBD

***Cities within these states have a different Minimum Wage Rate**