

**Labor & Employment Alert
July 2015**

**U.S. Department of Labor Proposes Increasing Salary
Minimum for Federal Overtime Exemption**

*For a discussion of these and other legal issues, please visit our website at www.mhltl.com
To receive legal updates via e-mail, contact information@mhltl.com.*

In response to a March 2014 order from President Obama to “modernize and streamline” federal overtime regulations, the U.S. Department of Labor (“DOL”) has recently proposed important changes that could ultimately require employers to pay overtime wages to millions of workers across the nation that are currently considered “exempt” from overtime requirements.

Currently, DOL regulations provide an exemption from overtime requirements for executive, administrative, or professional (“EAP”) employees who: (1) are compensated on a fixed salary basis, not subject to reduction based on quantity or quality of work (the “salary basis test”); (2) are paid at least \$455 per week, which amounts to \$23,660 per year (the “salary level test”); and (3) perform certain types of duties, as defined by regulation (the “duties test”). There is also an overtime exemption for “highly-compensated employees” (“HCEs”) who earn at least \$100,000 per year, among other conditions.

On June 30, 2015, the DOL published a Notice of Proposed Rulemaking, requesting input on proposals to increase the minimum salary requirements for EAP workers from \$455 to an indexed amount estimated to be \$970 in 2016 – the equivalent of \$50,440 per year for a full-time worker – and the HCE salary minimum from \$100,000 to an indexed amount of approximately \$123,000. These amounts would be adjusted or indexed annually. According to DOL estimates, approximately 22 percent of currently exempt workers would immediately lose their exempt status as a result of this increase to the salary level test, requiring all of those employees to receive overtime compensation for any hours worked over 40 per week and imposing additional recordkeeping requirements on employers.



**Labor & Employment Alert
July 2015**

The DOL has also requested input as to whether the “duties test” should be amended, though it has not made any concrete proposals. Once the Notice is published in the Federal Register, interested parties can give feedback to the DOL within 60 days of the Federal Register publication date at www.regulations.gov, or by mail to:

Mary Ziegler, Director of the Division of Regulations, Legislation, and Interpretation
Wage and Hour Division, U.S. Department of Labor, Room S-3502
200 Constitution Avenue, N.W.
Washington, D.C. 20210

A Final Rule is not expected until 2016. Stay tuned for final changes to the regulations.

This alert was prepared by Attorney Lena-Kate Ahern. If you have any questions about this alert, please contact the attorney responsible for your account, or call (617) 479-5000.

This alert is for informational purposes only and may be considered advertising. It does not constitute the rendering of legal, tax or professional advice or services. You should seek specific detailed legal advice prior to taking any definitive actions.

©2015 MHTL