



## News Alert

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### Department of Labor Issues Final Rule Increasing Threshold for Overtime Exemption

The U.S. Department of Labor Wage and Hour Division has issued a [final rule](#) that will increase the threshold compensation amounts for employees to be exempt from requirements for overtime pay. The rule will go into effect July 1, 2024.

Employees are exempt from the Fair Labor Standards Act's minimum wage and overtime protections if they are employed in a bona fide executive, administrative, or professional capacity, as those terms are defined in the Department's regulations. To fall within the EAP exemption, an employee generally must meet three tests:

- be paid a salary, meaning that they are paid a predetermined and fixed amount that is not subject to reduction because of variations in the quality or quantity of work performed;
- be paid at least a specified weekly salary level; and
- primarily perform executive, administrative, or professional duties, as provided in the Department's regulations.

The Department's regulations also provide an alternative exemption test for certain highly compensated employees who are paid a salary, earn above a higher total annual compensation level, and satisfy a minimal duties test.

The final rule will increase the standard salary level and the highly compensated employee total annual compensation threshold on the rule's effective date on July 1, 2024, and on January 1, 2025, when changes in the methodologies used to calculate these levels become applicable. The final rule also provides for future updates of these levels every three years beginning January 1, 2027 to reflect current earnings data. These scheduled increases are displayed below.

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<b>Date</b>	<b>Standard Salary Level</b>	<b>Highly Compensated Employees</b>
Before July 1, 2024	\$684 per week (equivalent to \$35,568 per year)	\$107,432 per year, including at least \$684 per week paid on a salary or fee basis.
July 1, 2024	\$844 per week (equivalent to \$43,888 per year)	\$132,964 per year, including at least \$844 per week paid on a salary or fee basis.
January 1, 2025	\$1,128 per week (equivalent to \$58,656 per year)	\$151,164 per year, including at least \$1,128 per week paid on a salary or fee basis.
July 1, 2027, and every 3 years thereafter	To be determined by applying to available data the methodology used to set the salary level in effect at the time of the update.	To be determined by applying to available data the methodology used to set the salary level in effect at the time of the update.

Anyone in those employment categories making less than the threshold amount must be paid overtime of at least time and a half for all hours worked over 40 hours per week. The DOL estimates the final rule will affect over 3.6 million workers in the United States.

Rick Schweitzer  
 GAWDA General Counsel  
[rpschweitzer@rpslegal.com](mailto:rpschweitzer@rpslegal.com)  
 (202) 223-3040