



## New Salary Rules for January 1<sup>st</sup>



The U.S. Department of Labor (DOL) has new rules for Salaried Overtime-Exempt Managers that are expected to take effect on January 1, 2020. The minimum salary is expected to increase from \$455 per week to \$684 per week, a 50% increase. The new annual minimum will be \$35,568. The DOL has been recommending increases in the minimum salary for an employee to be considered overtime exempt. This has been occurring since 2015, but each time the rule change was delayed before it actually took effect. This newest recommendation is expected to become permanent. The DOL estimates that more than one million currently exempt workers who earn more than \$455/week, but less than \$684/week will be impacted by the change.

In the new rules is a provision where the base salary could be 10% less than \$35,568, with an allowance for regular commissions/bonuses to make up the difference. However the full \$35,568 is required to be paid by the end of the calendar year, with one extra pay period after year-end as a grace period for making adjustments. Many business owners are expected to pay salaries of \$615.60 per week (10% less than the minimum) and pay their regular bonuses and commissions. Another option would be to convert salaried managers to hourly (overtime-eligible) status. Business owners should review the current salaries of all employees and make adjustments prior to yearend. A few States have already enacted minimum salary guidelines that may exceed the Federal DOL guideline. In those States, the higher State minimum would still be in force. Some States in this situation include New York, California and Alaska.

Also taking effect in 2020 are higher hourly minimum wage rates in many States. More than half of all States have enacted legislation to increase their hourly minimum wage in 2020. We recommend a review of the State requirements in your State so that changes can be implemented before the end of 2019. If you would like a list of your employee salaries, exempt status, and hourly rates, contact your Payroll Coordinator. Our system can produce a report and email it to you.