

# OVERTIME RULE



**Impact on Providers:** The increase in salary thresholds for exemption from overtime under the updated Fair Labor Standards Act (FLSA) regulations could lead to higher labor costs for IDD (Intellectual and Developmental Disabilities) providers. Organizations may need to adjust staffing levels and reclassify certain employees to manage these rising costs effectively. Additionally, ensuring compliance with these changes could increase administrative burdens. Overall, these changes require strategic adjustments in budget management and operational planning to maintain quality care without compromising service delivery.

## Standard Salary Level Threshold



Current: \$684/week or  
\$35,568 annually



July 1, 2024: \$844/week or  
\$43,888 annually



January 1, 2025: \$1,128/week  
or \$58,656 annually

## Highly Compensated Employees Threshold



Current: \$107,432 annually



July 1, 2024: \$132,964  
annually



January 1, 2025: \$151,164  
annually

**Updating Mechanism:** An updating mechanism is established to adjust the salary levels starting July 1, 2024. It will then continue with updates every three years, beginning July 1, 2027, to reflect current earnings data.

- **Standard Salary Level:** This update sets the threshold at the 35th percentile of earnings of full-time salaried workers in the lowest-wage Census Region, specifically the South. This change aims to more accurately delineate which employees qualify as exempt under the EAP categories in a simplified one-test system.
- **Highly Compensated Employees (HCE):** This adjustment targets the annualized weekly earnings of the 85th percentile of full-time salaried workers nationally, aiming to better define which high-earning employees can qualify for exemption based on a minimal duties test.



# FLSA EXEMPTIONS



This fact sheet outlines the FLSA exemption criteria, including the Salary Level Test, Salary Basis Test, and Job Duties Test. It details the essential thresholds and requirements for each category to help determine employee eligibility for overtime pay exemptions.

## Salary Level Test

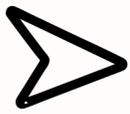
- **Criteria:** Specifies the minimum weekly or annual salary an employee must earn to qualify for exemption.
  - July 1, 2024: \$844/week or \$43,888 annually
  - January 1, 2025: \$1,128/week or \$58,656 annually

## Salary Basis Test

- **Criteria:** Employees must be paid a predetermined and fixed salary that is not subject to reduction because of variations in the quality or quantity of work performed.
- **Payment Frequency:** Must be paid on a weekly, or less frequent basis, but not based on the number of days or hours worked.
- **Exceptions:** Deductions from pay are generally not permissible, except for certain specific situations like full-day absences for personal reasons or disciplinary suspensions.

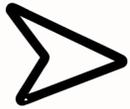
## Job Duties Test Categories

- **Criteria:** The Job Duties Test assesses whether an employee's primary responsibilities are managerial, administrative, professional, computer-related, or involve outside sales, each with specific criteria to qualify for exemption.
  - **Executive:** Primary duty is managing an enterprise, or a recognized department or subdivision; regularly directs the work of at least two other full-time employees; has authority on significant employment decisions
  - **Administrative:** Primary duty includes the performance of office or non-manual work related to management or general business operations; involves exercising discretion and independent judgment on matters of significance.
  - **Professional:** Work requires advanced knowledge in a field of science or learning typically acquired through prolonged education; includes creative professionals whose work requires invention, imagination, originality, or talent.



## Notes:

- These tests must be applied collectively to determine an employee's exemption status.
- The salary level and salary basis tests do not apply to outside sales employees, teachers, and employees practicing law or medicine.



## Recommendations for Employers:

- Regularly review job descriptions and duties to ensure they align with FLSA exemption criteria.
- Update payroll systems to reflect current salary thresholds and ensure compliance with salary basis requirements.
- Train HR and management on FLSA requirements to avoid costly misclassifications.



Still have questions? Reach out to your Technical Assistance Team!



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