

from the HR  
Support Center

## Federal Law Alert

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### **Overtime Rules Go Into Effect on Dec. 1**

The new federal overtime rules go into effect on December 1, 2016—just over two weeks from now. There are four major changes of which employers should be aware.

1. The new minimum salary for most exempt Executive, Administrative, Professional, and Computer employees will be \$913 per week (\$47,476 per year).
2. Up to 10% of this income may come in the form of non-discretionary bonuses, incentive pay, or commissions. That portion of the compensation must be paid at least quarterly. If an employee does not earn enough in bonuses and commissions to be on track to make \$47,476 per year (measured at the time of the quarterly payment is made) the employer has two options. They can pay the difference to keep the exemption (even though it was not earned), or they can retroactively reclassify the employee as non-exempt and pay all overtime that was worked during the previous quarter.
3. The new minimum salary level for “Highly Compensated Employees” will be \$134,004 per year. This exemption may be used when an employee carries out a limited number of executive, administrative, or professional duties, but is very well-compensated. It is rarely used and not allowed in all states.
4. The salary threshold will increase every three years. The next change, which will be effective January 1, 2020, is expected to increase the minimum salary to approximately \$51,168 per year.

Prior to December 1, employers should send each employee who will be reclassified written notice of their change in classification and rate of pay.

Employers should also ensure that newly non-exempt employees are made aware of policies that now apply to them, such as overtime, timekeeping, and meal and rest breaks. While there have been legal challenges and attempts by Congress to delay implementation, we do not foresee any changes to the rules until 2017, if at all. Employers should therefore be in compliance by December 1.

In preparation for the new rules, we have created the following materials, all of which can be easily found by clicking on the “Dec. 1: New Overtime Rules in Effect” icon in the top right of your HR Support Center home page.

- 2-Minute HR Trainings on the new rules, all six white collar exemptions, the inside sales exemption, the salaried non-exempt classification, and the bare-bones changes employers need to make by December 1
- FLSA Changes: Decision Making Guide
- FLSA Changes: Implementation Guide
- A formal reclassification letter that should be distributed to employees prior to their change in classification
- A guide to calculating overtime for non-exempt employees who receive non-discretionary bonuses or commissions
- Infographics
- HR Casts
- And more!

## Our HR Pros are ready to help

Have any questions about this eAlert?  
Our team of HR Professionals is ready to help you.



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## Questions?

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