

## New Overtime Rules Effective July 2024

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Significant changes to overtime compensation rules are on the horizon, which may affect how you classify and pay your employees. Starting July 1, 2024, new salary thresholds will be implemented by the DOL, impacting both exempt and non-exempt classifications under the FLSA.

The first step is to correctly classify your employees as either exempt or non-exempt under the FLSA. Exempt employees, who are not eligible for overtime pay, typically fall into one of three categories:

1. executives,
2. administrative, or
3. professional employees.

Each of these categories has specific criteria defined by the DOL.

For your exempt employees, there are salary thresholds you need to be aware of:

- **As of July 1, 2024:** The minimum salary for exempt employees must be at least \$844 per week.
- **Starting Jan. 1, 2025:** This minimum increases to \$1,128 per week.

These changes mean any employee currently classified as exempt but earning below these thresholds will require a reassessment. You have two options:

- increase their salary to meet the new threshold or
- reclassify them as non-exempt.

Reclassifying employees as non-exempt can have significant implications. Non-exempt employees are entitled to overtime pay at a rate of one and a half times their regular hourly rate for hours worked beyond 40 in a week—except in states like California, where overtime rules differ.

If you opt for reclassification, you will also need to implement time tracking systems to accurately record hours worked, a compliance element for non-exempt employees.

This decision isn't just about compliance, it also impacts your operational costs, payroll processes and even employee benefits.

Misclassification can lead to costly lawsuits, fines and damaged reputations.

For a deeper dive into how these regulations might specifically affect your operations, contact an Adams Brown advisor.