

# Proposed Rules to Tighten Wage and Hour Exemptions

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In June 2015, the Department of Labor (DOL) unveiled a proposed rule that, if enacted, will result in federal overtime requirements covering an additional estimated 5 million people. The proposed rule was issued in response to President Barack Obama's March 2014 directive that the DOL update and modernize the overtime regulations concerning white collar workers' eligibility for overtime pay under the Fair Labor Standards Act (FLSA). The FLSA exempts executive, administrative, professional, outside sales and certain computer employees (white collar employees) from overtime pay if, among other factors, certain salary thresholds are met. Highly compensated white collar employees are more likely to be considered exempt under the FLSA.

The DOL's proposal seeks to dramatically raise the minimum salary threshold required to qualify for the white collar exemptions, from \$23,660/year (\$455/week) to \$50,440/year (\$970/week). The proposed rule also seeks to increase the threshold to be considered a highly compensated employee, from \$100,000 to \$122,148 per year. Further, in order to prevent the salary thresholds from becoming outdated, the DOL has proposed automatically updating them annually. Since 2004, when the white collar exemptions were last amended, employers have seen an explosion of wage and hour litigation under the FLSA. The DOL's proposed changes likely will trigger more activity by private litigants and federal and state agencies.