

QUICK GUIDE TO NEW OVERTIME REGULATIONS

June 15, 2016

1. Is this employee currently exempt?
 - a. If no, stop. The change does not affect this employee.
 - b. If yes, go to step 2.

2. What exemption does this employee qualify for?
 - a. If administrative, executive, or professional, go to step 3.
 - b. If a “highly compensated employee”, the employee may be affected, but that is not addressed in this quick guide. Stop and look elsewhere for guidance.
 - c. Although professionals, the new regulation does not affect teachers, doctors, or lawyers. No change is needed. Stop.
 - d. The new regulation does not affect any of the other exemptions, including outside sales, agriculture, motor carriers, auto dealers, etc. . . . No change is needed for these employees. Stop.

3. Is the employee paid a gross salary of at least \$47,476 per year (\$913 per week)?
 - a. If yes, stop. This employee is still exempt under the new regulation.
 - b. If no, **this employee is affected by the new regulation.**

Your choices, as of December 1, 2016:

1. Give the employee a raise to at least \$47,476 per year
2. Reclassify the employee as non-exempt
 - a. You must keep track of hours worked
 - b. You must pay overtime pay for hours worked > 40 per week
 - c. You may, either:
 - i. convert the employee to hourly, or
 - ii. Continue to pay a salary if you pay overtime and do the math right. Have a clear policy the salary is intended to cover ALL hours worked, regardless of how many. This may result in owning only “half-time” overtime instead of “time and a half”.
3. Up to 10% of the qualifying salary may come from non-discretionary, quarterly bonuses and commissions.

Important: Make sure the employee still meets the duties test for any exemption claimed!