



## **IMPORTANT UPDATE: Non-Exempt FLSA Overtime Threshold Increased to \$47,476 a Year**

Dear Valued Client,

On May 18, 2016 the Labor Department issued a final rule signed by President Barack Obama updating the definition of non-exempt employees under FLSA overtime rules. The new rule, which will take effect December 1, 2016, requires that executive, administrative and professional employees be paid a minimum of \$47,476 a year, up from \$23,660, to meet the salary basis test for the overtime exemption.

In simpler terms: if you pay an employee on a salary basis less than \$47,476 a year, that employee is eligible and required to be paid for any overtime hours worked. Part of the new rule also states bonuses/commissions/incentive compensation may compose 10% of the \$47,476 threshold, or \$4,747.60, and can be applied to the annual threshold. However, to take credit for such payments toward the threshold they must be made on a quarterly basis.

Nonprofit employers, higher education institutions, and state/local governments have 3 separate technical documents released by the Labor Department providing additional guidance for such institutions (these can be accessed via the link below).

To add to the new rule, the definition of a highly compensated employee was updated from \$100,000 annual wages to \$134,004.

[General Guidance and the Final Rule from the DOL can be found by clicking here.](#)

We recommend speaking with your time solutions provider on how to best implement new policies to properly account for overtime hours. If you do not have a time system, or would like to make a switch, we have a great time solution for you. Just ask any client service representative and they can provide more information. As always, if you are concerned about this impact on your organization our client service team is here to help make things simple for you. Please call (847) 945-0340 or email [support@hsapayroll.com](mailto:support@hsapayroll.com).

Thank you,

HS&A Payroll Services.