

Unmasking Payroll with New DOL Thresholds



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Overview



- ▶ FLSA Background
- ▶ Exempt vs Non-Exempt
- ▶ Thresholds Changes
- ▶ Calculating Overtime
- ▶ Calculating Blended Rates

Fair Labor Standards Act (FLSA)

U.S. Federal Law enacted in 1938 to prohibit employers from taking advantage of employees. U.S. Department of Labor (<http://www.dol.gov>) oversee the FLSA.

FLSA Provisions

- ▶ Exempt vs Non-Exempt
- ▶ Minimum Wage
- ▶ Overtime Pay
- ▶ Equal Pay
- ▶ Child Labor
- ▶ Record Keeping

Exempt vs Non-Exempt



Exemptions Based on Three Tests

- ▶ Salary Basis
- ▶ Salary Level
- ▶ Job Duties

Salary Basis

Fixed salary with no reduction due to quality or quantity of work performed.

Thresholds Changes

DOL published a final rule on April 26, 2024, defining and delimiting the exemptions for executive, administrative, professional, outside sales and computer employees.

Revisions included increases to the standard salary level and the highly compensated employee total annual compensation threshold.

Salary Level (Until June 30, 2024)

- ▶ \$684 per week
- ▶ \$2,964 per month
- ▶ \$35,568 per year
- ▶ \$17.10 per hour based on 40 hours per week

Salary Level

Beginning July 1, 2024

- ▶ \$844 per week
- ▶ \$3,657 per month
- ▶ \$43,888 per year
- ▶ \$21.10 per hour based on 40 hours per week

Salary Level

Beginning January 1, 2025

- ▶ \$1,128 per week
- ▶ \$4,888 per month
- ▶ \$58,656 per year
- ▶ \$28.20 per hour based on 40 hours per week

Salary Level

Beginning July 1, 2027, and every 3 years thereafter

- ▶ 35th percentile of lowest region

U.S. Court stop the final rule

On November 15, 2024, the U.S. District Court for the Eastern District of Texas vacated the DOL 2024 final rule.

The DOL 2024 final rule are currently pending in two other federal district courts, and the United States has filed a notice of appeal from the November 15, 2024, decision.

What does this mean and
what is next?

<https://www.dol.gov/agencies/whd/overtime/salary-levels>

Salary Level

(DOL Current Enforcement based on 2019 Rule)

- ▶ \$684 per week
- ▶ \$2,964 per month
- ▶ \$35,568 per year
- ▶ \$17.10 per hour based on 40 hours per week

Salary Level

Only work 9 months (36 weeks)

- ▶ \$684 per week * 36 weeks
- ▶ \$24,624 per year
- ▶ \$17.10 per hour based on 40 hours per week

Job Duties

- ▶ Executive
- ▶ Administrative
- ▶ Education Establishments & Administrative
- ▶ Professional
- ▶ Computer-Related

The most common FLSA minimum wage and overtime exemption is called the “EAP” or “white-collar” exemption.

- ▶ Executive Employees
- ▶ Administrative Employees
- ▶ Professional Employees



“White Collar” Exemption: Executive Job Duties

- ▶ Primary duty is management
- ▶ Directs work of two or more employees
- ▶ Recommendations as to hiring, firing, promotion, change of status, given particular weight

“White Collar” Exemption: Administrative Job Duties

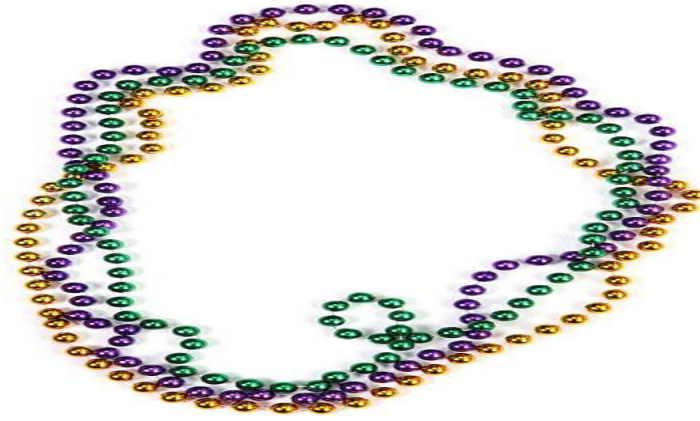
- ▶ Office or non-manual work directly related to the management or general business operations
- ▶ Exercise of discretion and independent judgment in matters of significance

“White Collar” Exemption: Professional Job Duties

- ▶ Advanced knowledge in field of science or learning
 - ▶ Teachers



Three Tests Summary



Must meet are three tests to be an exempt employee.



U.S. Supreme Court Decision on FLSA Burden of Proof

On January 15, 2025, the U.S. Supreme Court ruled in favor of the employer in a unanimous decision, concluded that the “preponderance of the evidence” standard applies when an employer seeks to demonstrate that an employee is exempt from the minimum and overtime wage provisions of the FLSA.

https://www.supremecourt.gov/opinions/24pdf/604us1r06_5ifl.pdf

“Clear and convincing evidence” is a higher standard of proof than the “preponderance of the evidence” standard, which only requires that enough facts are presented to make it more likely true than not. In contrast, clear and convincing evidence must be so strong as to remove any serious doubts about its truthfulness.

Conclusion

Employers should properly classify employees as exempt or nonexempt to avoid significant legal exposure and penalties.

This decision provides employers what level of proof they will need to demonstrate in order to justify classifying their employees as exempt under FLSA.

Non-Exempt Employees



Minimum Wage



Federal Minimum Wage is \$7.25 per hour

State Minimum Wage

- ▶ West Virginia \$8.75
- ▶ Arkansas \$11.00
- ▶ Virginia \$12.41
- ▶ Florida \$13.00

Overtime Pay



Overtime pay for non-exempt employees is **1.5 times** the regular rate of pay for all hours over 40 hours in a work week.
(Example: \$10.00 per hour, then overtime rate is \$15.00 per hour over 40 hours in a work week).

FLSA Not Required

- ▶ Sick Leave
- ▶ Personal Leave
- ▶ Vacation
- ▶ Holidays

Rest and Meal Periods

- ▶ Short breaks are paid
- ▶ Meals periods of ≥ 30 minutes are not paid
- ▶ Employees must be completely relieved of duty for meal period not to be paid time.

Dual Jobs

Employee has more than one job with different rates of pay. (Example: Bus Driver at \$20.00 per hour and Cafeteria Worker at \$12.00 per hour.)

Child Labor

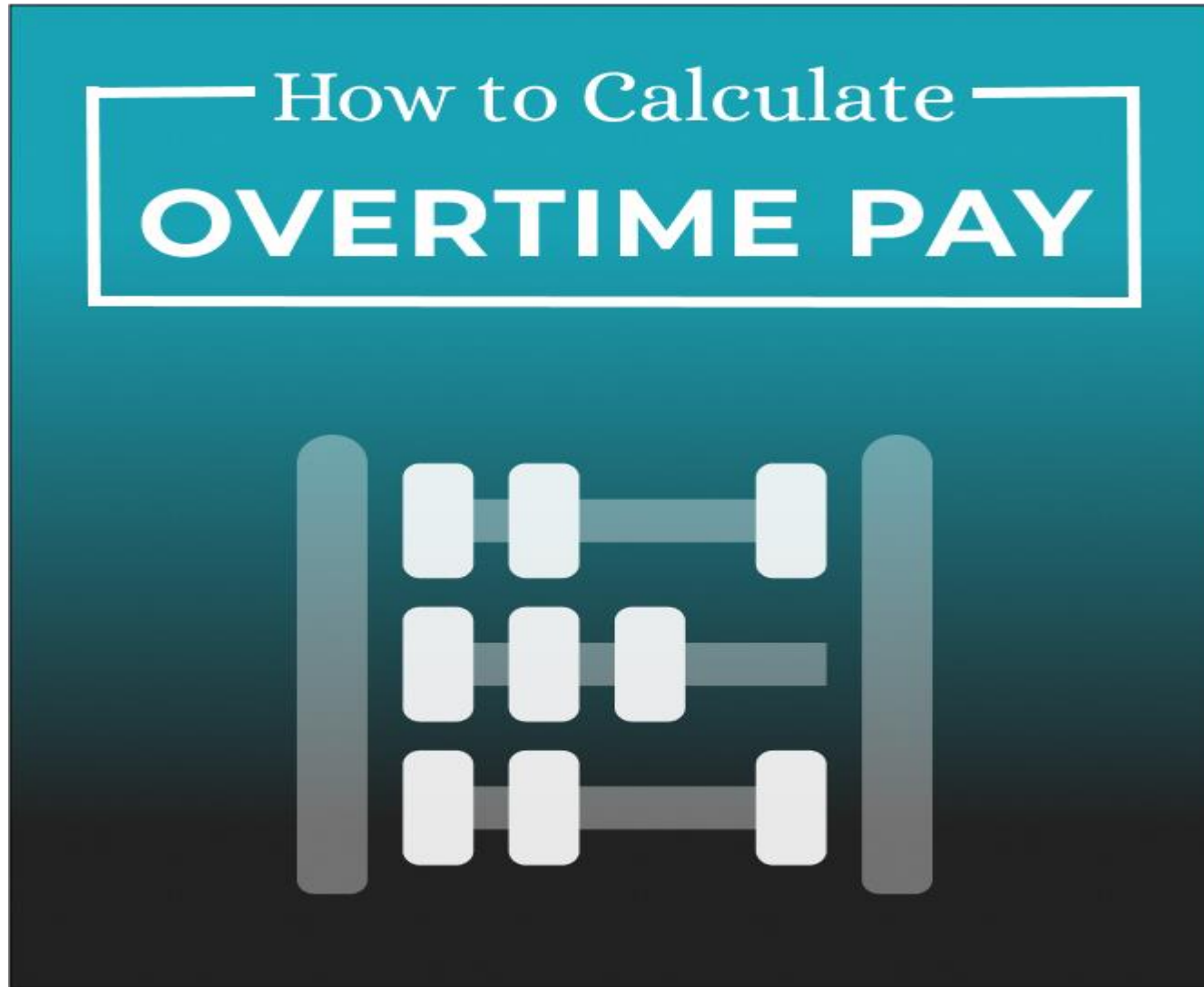
16 or 17 years old, can be employed for unlimited hours in any occupation other than those declared hazardous by the Secretary of Labor.

Record Keeping



Employer is responsible for record keeping of all hours worked for employees.

Calculating Overtime



Cafeteria worker

45 hours

\$12.00 per hour

40 hours (40 * \$12.00)	\$480.00
5 OT hours (5 * (\$12*1.5=\$18))	<u>\$ 90.00</u>
Total earnings for the week	\$570.00

or

45 hours (45 * \$12.00)	\$540.00
5 OT hours (5 * (\$12 * 0.5=\$6))	<u>\$ 30.00</u>
Total earnings for the week	\$570.00

Bus Driver

52 hours

\$20.00 per hour

40 hours (40 * \$20.00)	\$800.00
12 OT hours (12*(\$20*1.5=\$30)	<u>\$360.00</u>
Total earnings for the week	\$1,160.00

or

52 hours (52 * \$20.00)	\$1,040.00
12 OT hours(12*(\$20*0.5=\$10)	<u>\$ 120.00</u>
Total earnings for the week	\$1,160.00

Calculating Blended Rates



**WHAT IS
A BLENDED
RATE?**



Bus Driver

20 hours

\$20.00 per hour

Cafeteria worker

35 hours

\$12.50 per hour

55.00 total hours worked for the week

Step 1: Calculate straight-time earnings

20 hours (20 * \$20.00) \$400.00

35 hours (35 * \$12.50) \$437.50

Total straight-time earnings \$837.50

Step 2: Calculate the regular rate of pay

\$837.50 / 55 hours = \$15.23 per hour

Step 3: Calculate the overtime premium pay

$\$15.23$ regular rate * 0.5 * 15 overtime hours = $\$114.22$ additional half-time pay

Step 4: Add straight-time earnings and the additional half-time pay

Straight-time earnings	\$837.50
Additional half-time earnings	<u>\$114.22</u>
Total Earnings for the week	\$951.72

Bus Driver

20 hours

\$16.25 per hour

Teacher Assistant

37.50 hours

\$11.50 per hour

After School Tutor

6 hours

\$15.00 per hour

63.50 total hours worked for the week

Step 1: Calculate straight-time earnings

20 hours (20 * \$16.25) \$325.00

37.5 hours (37.5 * \$11.50) \$431.25

6 hours (6 * \$15.00) \$ 90.00

Total straight-time earnings \$846.25

Step 2: Calculate the regular rate of pay

$\$846.25 / 63.5 \text{ hours} = \13.33 per hour

Step 3: Calculate the overtime premium pay
 $\$13.33$ regular rate * 0.5 * 23.5 overtime hours = $\$156.63$ additional half-time pay

Step 4: Add straight-time earnings and the additional half-time pay

Straight-time earnings	\$ 846.25
Additional half-time earnings	<u>\$ 156.63</u>
Total Earnings for the week	\$1,002.88

FLSA Overtime Calculator Advisor

<https://webapps.dol.gov/elaws/otcalculator.htm>



DOL Timesheet App

- ▶ Employer and employee options
- ▶ Calculates pay automatically
- ▶ Records work hours simply and quickly

<https://www.dol.gov/agencies/whd/timesheet-app>



Questions

David Rubenstein

Retired CFO/Consultant

dcrubenstein@gmail.com