

US DEPARTMENT OF LABOR NEW FINAL RULE RAISES FLSA'S MINIMUM SALARY REQUIREMENT TO QUALIFY AS EXEMPT EMPLOYEES, BUT STILL CONSIDERING IF THE REQUIREMENT WILL EXTEND TO PUERTO RICO

The U.S. Department of Labor (Department) announced a final rule, "Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees", which revises the overtime pay exemption for executive, administrative, and professional (EAP) employees. The final rule revisions include increases to the standard salary level and to the highly compensated employee total annual compensation threshold. It also includes a mechanism that raises the salary requirement every three years.

The new minimum salary requirements for executive, administrative and professional employees will go into effect in two stages. On July 1, 2024, the minimum required salary level will increase from \$684 per week to \$844 per week (equivalent to \$43,888 per year). On January 1, 2025, the minimum salary requirement will increase again to \$1,128 per week (equivalent to \$58,656 per year).

For highly compensated employees, the minimum annual compensation level to classify for the exemption from overtime pay will increase from \$107,432 to \$132,964, effective July 1, 2024. On January 1, 2025, the minimum salary requirement for the exemption will increase again to \$151,164.

Although the Department had originally sought to apply the updated standard salary level and the highly compensated employee total annual compensation threshold to the four U.S. territories that are subject to the federal minimum wage, including Puerto Rico, it determined to address that matter in a future rule.

If you have questions or need assistance regarding the new final rule, please contact us.

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