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Salary Basis Rule Doubling for Exempt Salaried Employees

One Washington Mall, 7th Floor
Boston, MA 02108
(617) 367-9449 Tel.
(617) 367-9468 Fax

jbrousseau@kbattorneys.com
nkimball@kbattorneys.com
mblue@kbattorneys.com

visit our website: KB-LLP.com

Alert

Department of Labor to Increase Civil Penalties for Wage & Hour Violations

In another move to increase enforcement of wage and hour laws, the DOL is issuing rules to increase civil penalties for wage and hour violations.

Minimum wage/overtime penalties will jump from up to \$1,100 to up to \$1,894 maximum per violation.

Do you employ any salaried employees earning less than \$47,476 a year? If so, you may need to raise their salary, or add additional compensation, or switch them to hourly employees in light of new wage and hour requirements.

The Department of Labor (DOL) has enacted a major change to the salary basis test for employees who are exempt from overtime requirements (i.e., bona fide professional, executive, administrative employees, outside salespersons and certain computer professionals). DOL is raising the minimum salary from \$455/week (\$23,660/year) to \$913/week (\$47,476 a year) for exempt employees. The new salary requirement goes into effect on **December 1, 2016**.

The minimum salary for Highly Compensated Employees (HCE) will also go up as of December 1, to \$134,004 annually. HCE employees will also have to meet the new weekly minimum salary of \$913/week.

Some of a salaried employee's compensation will be allowed to be paid through non-discretionary incentive compensation. However, there are limitations on what types of compensation and how much can be applied to meet the minimum salary required.

The new rules include automatic increases to the minimum salary amounts every three years to keep up with the cost of living.

If you have questions about complying with the new rules, please contact us.