

EMPLOYER LAW BLOG

# EMPLOYER ALERT: Now Is The Time to Audit Exempt Status to Adjust For DOL's New White Collar Exemption Regulations

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**Timm Schowalter** type="text">The U.S. Department of Labor has proposed the biggest overhaul to U.S. overtime law in history. Public comments on the proposal expired on September 4, 2015. The final regulations are expected to be released by the end of 2015, with an effective date in spring or summer 2016. The Proposed Rule focused primarily on updating the salary and compensation levels needed for white collar workers to be exempt. Specifically, the DOL proposes to:

- Increase the standard salary level to about \$970 a week (\$50,440 a year);
- Increase the total annual compensation requirement needed to exempt highly compensated employees (HCEs) to \$122,148 annually; and
- Establish a mechanism for automatically updating the salary and compensation levels going forward to ensure that they will continue to provide a useful and effective test for exemption

5 things employers should do now

1. Review current salaries for all exempt employees.
2. Determine which employee salaries you can raise to retain exempt status and which you cannot base on your company's labor budget.

3. Analyze how many hours exempt employees now work and what it would cost if their current salary is converted to an hourly figure and they continue to work the same number of hours.
4. Decide whether you will lower the hourly rate when you convert from exempt to non-exempt hourly status so that total earnings remain the same.
5. Don't forget to consider morale if you plan to slash that hourly rate or reclassify an employee to non-exempt. Employers must be proactive to communicate and educate their employees to reduce morale issues.