

# The new overtime rules: 6-point checklist to start complying now

Are you fully compliant with the new overtime rules that went into effect Jan. 1? They raised the overtime salary threshold to \$35,568.

That means exempt employees earning less than that amount per year must receive overtime pay when they work more than 40 hours in a workweek. Other measures affect pay for highly compensated employees and how bonuses fit into overtime calculations.

Follow this checklist to ensure you're in compliance:

- ✓ **1. Determine which employees are affected.** That includes any employees you have properly classified as exempt administrative, executive and professional status (with a few exceptions) plus employees classified as highly compensated employees (HCEs). Pull together a list of all employees in those categories.
- ✓ **2. Review employee classifications.** Make sure you have properly classified all your employees. Review the specific duty requirements for each exempt classification at [www.dol.gov/whd/overtime/fs17a\\_overview.pdf](http://www.dol.gov/whd/overtime/fs17a_overview.pdf). For more on HCE classification, see [www.dol.gov/whd/overtime/fs17h\\_highly\\_comp.pdf](http://www.dol.gov/whd/overtime/fs17h_highly_comp.pdf).
- ✓ **3. Review salary levels.** For each properly classified employee, determine their current salary. If it is less than \$35,568 per year (\$684 per week), they are eligible for overtime pay. *Exceptions:* professional teachers, doctors and lawyers.
- ✓ **4. Consider highly compensated employees.** Properly classified HCEs have a different minimum yearly salary requirement and a more flexible duties requirement. The minimum yearly compensation is now \$107,432. In addition, HCE pay must include at least \$684 per week on a salary or fee basis. You can make up the difference in any other way as long as the annual pay reaches \$107,432.
- ✓ **5. Factor in bonus payments.** The new overtime rules allow you to take a weekly credit towards the minimum salary for all properly classified exempt administrative, executive and professional employees except doctors, lawyers, teachers and HCEs. The credit draws from non-discretionary bonuses, commissions and incentive payments you pay at least every 12 months. The credit is up to 10% of the minimum weekly salary. Thus, you can pay a weekly salary of \$616 per week. You will have one pay period to make up the difference at the end of 12 months.
- ✓ **6. Raise salaries or reclassify employees as hourly.** After reviewing pay and classification, you must either raise salaries to the new level or reclassify employees to hourly status. Then set the hourly salary and pay overtime for hours worked over 40 per week.

**Final note:** Some states have different overtime rules and higher minimum salary levels. Always check every jurisdiction in which you have employees.