

U.S. Department of Labor’s Final Rule on the Salary Exemption

April 26, 2024

On April 23, 2024, the U.S. Department of Labor (“DOL”) released their much-anticipated final rule, *[Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outsides Sales, and Computer Employees](#)*, which will take effect on July 1, 2024. The rule updates and revises regulations under the Fair Labor Standards Act and raises the salary threshold above which executive, administrative, and professional employees (“EAP” employees) and highly compensated employees (“HCE” employees) are exempt from receiving overtime pay. The final rule includes:

- An increase in the salary exemption threshold for EAP employees from \$684 per week (equivalent to \$35,568 annually) to \$844 per week (equivalent to \$43,888 annually) effective July 1, 2024. The threshold will then increase to \$1,128 per week (equivalent to \$58,646 annually) effective January 1, 2025.
- An increase in the total annual compensation exemption threshold for HCE employees from \$107,432 to \$132,964 effective July 1, 2024, and then to \$151,164 effective January 1, 2025.
- Beginning July 1, 2027, and every three years thereafter, these thresholds will automatically update to reflect current earnings data.

These numbers are higher than what the DOL outlined in its August 2023 proposed rule.

What does this mean for Maine employers?

EAP employees in Maine are subject to whichever salary exemption threshold is greater – the one set by Maine law or the one set by federal law. Currently, the threshold for EAP employees in Maine is \$816.35 per week, which is greater than the current federal threshold. Because effective July 1, 2024 the federal threshold will exceed the Maine threshold, beginning on that date employees who earn between \$816.35 and \$844 per week will no longer be exempt from receiving overtime pay if they work more than 40 hours per week.

Who is “exempt”?

The DOL final rule does not make changes to the current job duties test. Accordingly, an “exempt” employee generally must (1) be paid a salary, (2) which is at least \$844 per week, and (3) primarily perform executive, administrative, or professional duties.

What are the next steps for employers?

With the July 1, 2024 exemption threshold increase rapidly approaching, employers should now review the salaries of their currently exempt workforce in order to identify positions that will be impacted by the new rule. Employers will need to weigh their options in responding to the increased thresholds, which could include increasing salaries to maintain an employee’s exempt status, reducing or eliminating overtime hours, or reclassifying an employee. Inevitably, lawsuits will be filed challenging the new rule, but unless a federal court puts a stop to the rule’s implementation, employers should plan on it taking effect.

If you have any questions or concerns, please contact Peter Lowe at plowe@brannlaw.com. We stand ready to help your company navigate the expansion of qualified employees for overtime pay.