

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

resulting in millions of more Americans becoming eligible for overtime pay. For now, the status quo applies. The DOL is expected to appeal the decision, but President-elect ...

**Ken Berry** • Dec. 15, 2016



In a stunning eleventh-hour decision, a federal judge in Texas has blocked the new “final overtime rule” set to take effect on December 1, 2016. Judge Amos Mazzant held that the rule, promulgated by the Department of Labor (DOL), is in violation of federal law. The legal action was brought by 21 states and several prominent business groups, including the National Retail Federation and the U.S. Chamber of Commerce.

Under the final overtime rule, certain salary thresholds would have increased,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Existing DOL regulations generally require each of the following three tests to be met for employees be exempt and therefore ineligible for overtime pay.

**1. Salary basis test.** The employee must be paid a predetermined and fixed salary that is not subject to reduction because of variations in the quality or quantity of work performed.

**2. Salary level test:** The amount of salary paid must meet a minimum specified amount.

**3. Duties test:** The employee's job duties must primarily involve executive, administrative or professional duties as defined by the DOL regulations.

Highly-compensated employees earning an amount above an annual threshold are exempt regardless of whether or not they meet the duties test.

The salary thresholds had not been raised in more than a decade. The final overtime rule would have nearly doubled the salary threshold from \$455 per week (\$23,660 per year) to \$913 per week (\$47,476 per year), while increasing the exemption amount for highly-compensated employees from \$100,000 to \$134,000. It also would have established the means to update these salary thresholds every three years, beginning in 2020.

But Mazzant said that the DOL can't use only salary levels to determine if workers are eligible for overtime. So now it's back to the drawing board.

Although employers may view this as a reprieve, they've probably done a lot of the grunt work to be fully compliant by December 1. For instance, worker schedules may have been revised or salaries adjusted to take the final overtime rule into account. Or the changes might have led to a restructuring of the staff and their respective duties.

The new decision doesn't mean employers should automatically junk their revised

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

company – not necessarily what is best for everyone else.

Payroll

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved