



ACT NOW TO PREPARE YOUR BUSINESS FOR THE NEW OVERTIME RULES

Now that the Department of Labor has completely overhauled the overtime regulations, your business must plan for the ensuing compensation changes. The new rules will go into effect December 1, 2016 so now is the time to restructure your company's compensation plan.

Employees who are exempt from the new rules include those who earn at least \$47,476 annually (that is \$913 per week). This is more than twice the previous limit for exemption (which was \$23,660 annually and \$455 weekly). As a result, a much larger portion of your workforce could be entitled to the overtime rate of 1 ½ times the normal hourly pay rate.

Incorporating this into your standard compensation plan is wise because this rule does not appear to be going anywhere. The new regulations establish a mechanism to automatically update compensation exemption levels every three years.

The 1 ½ times overtime rate applies to time an employee devotes to performing work that exceeds 40 hours within a 7 day workweek.

Some general strategies that business owners should consider in light of these new regulations include:

- Being prepared to pay the overtime rate of 1 ½ times the normal hourly rate for employees;
- Reducing or eliminating overtime hours;
- Restructuring employees' base salaries to offset the cost of overtime; and/or
- Increasing the salaries of affected workers to above \$47,476 so that they are exempt from the new overtime rules.

Keep in mind, employers are still responsible for satisfying other requirements to remain in compliance with labor regulations. Given the complexity of these new regulations and how they overlap with tax rules and other issues that businesses face, we highly recommend that you consult with a UHY professional to ensure the best outcome for your business.

Contact us at 314.615.1200 so that we can navigate you through these regulatory hurdles and help your business thrive.