

# Fair Labor Standards Act

## 2016 Overtime Pay Rule Changes

### Frequently Asked Questions

Updated (10.17.16)

#### 1. Q: What is the Fair Labor Standards Act (FLSA)?

**A:** The Fair Labor Standards Act (FLSA), also known as the federal Wage and Hour Law, regulates minimum wage, overtime, equal pay, recordkeeping, and child labor. Under the FLSA, employees are classified as either exempt or non-exempt from minimum wage and overtime requirements. Being exempt means you are not eligible for overtime pay under the rules.

#### 2. Q: How is an employee determined to be an exempt employee?

**A:** To be classified as exempt, salaried employees must generally satisfy *all* of the following tests:

- The employee's salary must meet or exceed the minimum salary requirements for exemption (\$1,826/bi-weekly or \$47,476/annually beginning Dec. 1, 2016).
- The employee must receive their full salary in any workweek in which they perform work, regardless of the quality or quantity of their work.
- The employee must perform specific job duties. Each type of exemption has its own set of primary duties that an employee must perform in order to qualify for the exemption.

#### 3. Q: Can non-exempt employees be paid a salary?

**A:** Yes – non-exempt employees can receive a salary as long as they receive at least the minimum wage for each hour worked and overtime pay whenever they work more than 40 hours in a workweek. Hours must be tracked to ensure overtime is paid in accordance with the law.

#### 4. Q: For non-exempt employees who are eligible for overtime, what is the overtime rate?

**A:** Under federal law, the overtime rate is 1.5 times the employee's regular rate of pay. An employee's "regular rate of pay" includes his or her hourly rate plus the value of shift differentials, and other forms of compensation that are permanent in nature. However, there are certain types of compensation that are excluded from the regular rate of pay such as lead worker pay or previously accrued overtime that are temporary in nature.

#### 5. Q: What is changing in the new rule?

**A:** The minimum salary requirement for the executive, administrative, professional exemptions is increasing. These new rules through the U.S. Department of Labor call for automatic adjustments to the minimum salary requirements every three years beginning January 1, 2020.

**6. Q: What does this mean?**

**A:** This change means certain employees who annually earn between \$23,660 and \$47,476, will be eligible for overtime.

<b>Executive, Administrative, Professional (EAP) Exemptions</b>		
	<b>Current</b>	<b>December 1, 2016</b>
Bi-weekly	\$910	\$1,826
Yearly	\$23,660	\$47,476

Many State of Iowa employees covered by FLSA overtime guidelines are already receiving premium overtime due to provisions in collective bargaining agreements.

**7. Q: When do the new FLSA rules take effect?**

**A:** December 1, 2016. This means the change will be effective with the pay period beginning November 18, 2016.

**8. Q: Where can I find additional information?**

**A:** You can talk to your supervisor. You can also find additional information on the U.S. Department of Labor's website.