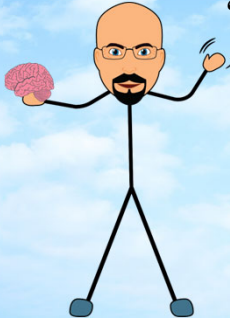



“MY SALARY IS WHAT???”

2024 CHANGES TO THE EXEMPT MINIMUM SALARY TESTS

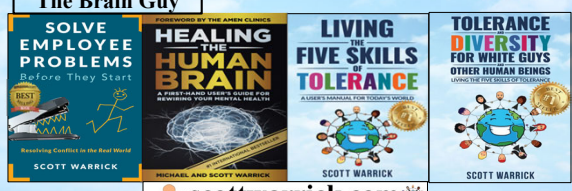



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“GETTING UP TO SPEED ON WAGE and HOUR EXEMPTIONS AND THE NEW MINIMUM SALARY TESTS”

FRIDAY, JUNE 21, 2024



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EAP = EXEMPTIONS

Exempt v. Nonexempt Employees

EXECUTIVE EXEMPTION

ADMINISTRATIVE EXEMPTION

PROFESSIONAL EXEMPTION

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6

EXEMPTIONS

Exempt v. Nonexempt Employees

1. **The Minimum Salary Test,**
2. **The Duties Test, which includes one for bona fide executive, administrative and professional employees, and**
3. **The Salary Test.**



7

EXEMPTIONS

Minimum Salary Test = EAP

As of **January 1, 2020**, the weekly minimum salary requirement for exempt employees was increased to **\$684.00** a week or **\$35,568.00** per year.



8

EXEMPTIONS

Minimum Salary Test = EAP

As of **July 1, 2024**, the weekly minimum salary requirement for exempt employees will increase to **\$844.00** a week or **\$43,888.00** per year.



9

EXEMPTIONS

Minimum Salary Test = EAP

As of **January 1, 2025**, the weekly minimum salary requirement for exempt employees will increase to **\$1,128.00** a week or **\$58,656.00** per year.

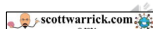


10

EXEMPTIONS

Minimum Salary Test = EAP

These salary requirements do not apply to outside sales employees, teachers, and employees practicing law or medicine.

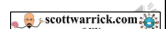


11

EXEMPTIONS

Minimum Salary Test = Computer Professionals

Exempt computer employees may be paid at least **\$684.00** a week or **\$35,568.00** per year on a salary basis *or* on an hourly basis at a rate not less than **\$27.63** an hour.



12

EXEMPTIONS**Minimum Salary Test = EAP**

Employers may use nondiscretionary bonuses and incentive payments (including commissions) paid on an annual or more frequent basis, to satisfy up to **10 percent** of the standard salary level. This provision does not apply to highly compensated employees.



13

EXEMPTIONS**Minimum Salary Test: \$43,888.00 per year**

The required amount of compensation per week may be translated into equivalent amounts for periods longer than one week. For example, the **\$844.00** per-week requirement will be met if the employee is compensated biweekly on a salary basis of not less than **\$1,688.00**, or monthly on a salary basis of not less than **\$3,657.33**. However, the shortest period of payment that will meet this compensation requirement is one week.



14

EXEMPTIONS**Minimum Salary Test: \$58,656.00 per year**

The required amount of compensation per week may be translated into equivalent amounts for periods longer than one week. For example, the **\$1,128.00** per-week requirement will be met if the employee is compensated biweekly on a salary basis of not less than **\$2,256.00**, or monthly on a salary basis of not less than **\$4,888.00**. However, the shortest period of payment that will meet this compensation requirement is one week.



15

EXEMPTIONS**Minimum Salary Test**

The employer may use any 52-week period as the year, such as a calendar year, a fiscal year, or an anniversary of hire year. If the employer does not identify some other year period in advance, the calendar year will apply.



16

HIGHLY COMPENSATED EMPLOYEES

As of January 1, 2020, the total annual compensation needed to exempt highly compensated employees (HCEs) was raised to **\$107,432.00** a year, of which **\$684.00** must be paid weekly on a salary or fee basis.



17

HIGHLY COMPENSATED EMPLOYEES

The rule will increase the total annual compensation requirement for highly compensated employees from **\$107,432.00** per year to **\$132,964.00** per year (**\$844.00 minimum per week**) on **July 1, 2024**.



18

HIGHLY COMPENSATED EMPLOYEES

This amount will increase to **\$151,164.00** per year (**\$1,128.00 minimum per week**) on **January 1, 2025.**



19

HIGHLY COMPENSATED EMPLOYEES

Additionally, the weekly salary amount for **HIGHLY COMPENSATED EMPLOYEES (\$844.00 minimum per week for \$132,964.00 per year) (\$1,128.00 minimum per week for \$151,164.00 per year)** must be paid in its entirety.

Employers may not use nondiscretionary bonuses and incentive payments (including commissions) to satisfy any portion of the weekly standard salary level for highly compensated employees.



20

HIGHLY COMPENSATED EMPLOYEES

The employee earns total annual compensation of **\$132,964.00** or more, which includes at least **\$844.00** per week paid on a salary basis;

The employee's primary duty includes performing **office or non-manual work;**



21

HIGHLY COMPENSATED EMPLOYEES

The employee earns total annual compensation of **\$132,964.00** or more, which includes at least **\$844.00** per week paid on a salary basis;

The employee's primary duty includes performing **office or non-manual work;**

and

The employee customarily and regularly performs at least **one of the exempt duties or responsibilities of an exempt executive, administrative or professional employee.**



22

HIGHLY COMPENSATED EMPLOYEES

Total Annual Compensation

The required **total annual compensation** of **\$132,964.00** or for **\$151,164.00** per year may consist of commissions, nondiscretionary bonuses and other nondiscretionary compensation earned during a **52-week period**, but does not include credit for board or lodging, payments for medical or life insurance, or contributions to retirement plans or other fringe benefits.



23

HIGHLY COMPENSATED EMPLOYEES

Make-up Payments and Prorating

There is a special rule that allows employers to prorate the annual compensation for employees who only work part of the year.



24

HIGHLY COMPENSATED EMPLOYEES

Make-up Payments and Prorating

Employers are also allowed to make a single lump-sum payment to an employee to “make-up” the amount needed to meet this **\$132,964.00** or **\$151,164.00** per year minimum threshold at the end of the year.



25

HIGHLY COMPENSATED EMPLOYEES

Make-up Payments and Prorating

So, after January 1, 2025, if an employee's total annual compensation does not total at least **\$151,164.00** by the last pay period of that year, then the employer may make one final payment to that employee in order to bring that employee’s annual salary up to this level. This additional payment must be made within the last pay period of that year or within one month after the end of the 52-week period.



26

HIGHLY COMPENSATED EMPLOYEESMake-up Payments and Prorating = **\$151,164.00** per year

For example, let’s say for the calendar year beginning January 1, 2025, an employee earns **\$90,000.00** in base salary and the employer anticipated that the employee was going to earn an additional amount of **\$65,000.00** in commissions. (\$155,000.00 Total Projected Compensation.)

However, due to poor sales, the employee actually only earned **\$30,000.00** in commissions. This gave the employee an annual salary of **\$120,000.00**, which is below the annual minimum salary that is to be paid to highly compensated employees.



27

HIGHLY COMPENSATED EMPLOYEES

Make-up Payments and Prorating

In this situation, the employer may make **within one month after the end of the year** a payment of at least **\$31,164.00** to the employee in order to bring her annual compensation up to **\$151,164.00**.

Any such final payment made after the end of the 52-week period may count toward the prior year's total annual compensation



28

HIGHLY-COMPENSATED

Make-up Payments and Prorating

Employers may also make similar payments to employees who terminate before the year ends.



29

FUTURE INCREASES

Starting July 1, 2024, the DOL will automatically update these earnings thresholds every **three years** with current wage data—this represents a change from current regulations that only require periodic reviews and require additional rulemaking to implement increased levels.



30

FUTURE INCREASES

As of January 1, 2025, the regulations revise the methodology used to determine the **EAP** minimum salary level to the **35th percentile** of weekly earnings of full-time non-hourly workers in the lowest wage Census region, up from the current methodology set at the 20th percentile.



31

FUTURE INCREASES

As of January 1, 2025, the regulations revised the methodology used to determine the HCE salary threshold to use annualized weekly earnings of the **85th percentile** of full-time non-hourly workers nationally, up from the current methodology set at the 80th percentile.



32

“MY SALARY IS WHAT???” 2024 CHANGES TO THE EXEMPT MINIMUM SALARY TESTS

Start Date: 6/7/2024
End Date: 12/31/2024

1 Recertification Credit Hour

HRCI Program ID: 671568

SHRM Activity 24-CKZXC

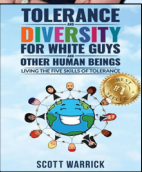
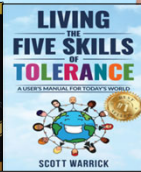
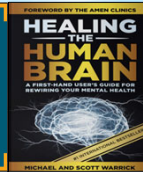
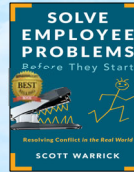


33

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34