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Department of Labor Grants Lowest Paid Exempt Employees an Early Holiday Gift: The Annual Minimum Salary Requirement Will Increase to \$47,476 on December 1st

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Yesterday, the [United States Department of Labor released a widely anticipated rule](#) which will double the federal threshold salary amount which executive, administrative and professional employees must earn to be exempt from overtime. The rule is slated to take effect on December 1, 2016, and will affect an estimated 146,000 workers in California and 4.2 million workers throughout the United States.

All employers in the United States, in order to be exempt from overtime obligations, must satisfy a two-prong test. The first prong is the “duties” test. Although beyond the scope of this bulletin, the most common exemptions are known as the professional, administrative and executive exemptions. The actual duties tests for these exemptions are quite lengthy, but assuming an employer satisfies the duties part of the two-prong test, the employer must also pay its employees a minimum salary under the second part of the test in order for the employees to be exempt from overtime. The minimum salary has historically been higher in California than in the United States generally. Currently, California employers must pay their employees at least twice the state minimum wage (the equivalent of \$41,600 annually) to satisfy the exemption, while the current federal minimum annual threshold is only \$23,660.

This is about to change. On December 1, 2016, in order to meet the salary prong of the two-prong test, California employers will need to satisfy the new federal threshold, which will increase from \$455 to \$913 per week (from \$23,660 to \$47,476 annually). **This means that, in order to maintain the exemption, California employers will need to ensure that their exempt employees earn no less \$913 on a weekly basis (\$47,476 annually) as of December 1, 2016.**

As you may be aware, many local municipalities are increasing their minimum wage obligations at a faster pace than the state. Although this will not have an effect on the exempt status of workers, employers are advised to pay close attention to the cities and municipalities in which their employees work to ensure they are in full compliance with often higher minimum wage obligations.

We invite all clients and friends to attend a complimentary breakfast on June 3, 2016, at the Peninsula Hotel in Beverly Hills where this and other important topics that pertain to California employers will be addressed by members of our Employment Law Group. If you are interested in attending, [please respond to our invitation](#) if you haven't already done so.

For advice or to answer questions, please contact anyone in our [Employment Law Group](#):

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