



## 5 Things You Need to Know About New Overtime Regulations By Michael Silvio

This December, salaried employees earning less than \$47,476 will be eligible for overtime pay when working more than 40 hours per week, under a U.S. Department of Labor ruling issued in May. At about double the current threshold of \$23,660, this will make millions of workers eligible for overtime who have not been eligible before. Companies that don't follow the new regulations and keep the appropriate documentation proving it can be penalized and may even face lawsuits. With December just around the corner, human resources professionals need to prepare now. Consider these five tips:

### Clearly Communicate New Policies

No one likes to be blindsided by their employer, especially when it involves money. Clearly outline the new regulations and how hours, pay and workload will be affected. If you are implementing or changing a time-reporting system, communicate all expectations and ensure the necessary training is available. In addition to written guidelines, encourage employees to schedule one-on-one meetings if they have any questions or concerns.

### Alternatives to Paying Overtime

With the federally mandated overtime rate at 1.5 times the normal range, many employers will be looking for alternatives. One of the simplest options is to hire additional employees if the current workload requires overtime. Of course, this has to be weighed against the additional payroll costs and depends on each company's situation.

Employers looking to reduce overtime costs also can turn to freelancers, part-time workers or contract workers who don't qualify for overtime and can pick up any extra work. As an alternative, employers can raise salaries above \$47,476 so salaried employees can work overtime as necessary.

### Consider Employee Satisfaction and Retention

Relying on freelancers or minimizing opportunities for overtime may initially help save money, but it's important to consider the long-term consequences. Employee turnover is extremely costly, and employee satisfaction and morale have a strong correlation with productivity levels. HR professionals need to evaluate how cost-saving measures will affect employees as well as how new policies will be perceived by potential new hires. In the long run, paying more for overtime may be the least expensive solution.

### Litigation May Be an Issue

The new regulations may lead to increased litigation, such as class action lawsuits at larger companies. The first step is ensuring every employee is accurately classified as either exempt or non-exempt so it's clear who is eligible for overtime under the new laws. Companies that don't follow the rules, knowingly or unknowingly, will be subject to penalties for non-compliance and may face wage and hour lawsuits with costly attorney fees and back overtime wages.

### Consult an Attorney and CPA

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HR professionals should work with a labor law attorney to ensure a smooth transition and make any necessary updates to the employee handbook that will clearly outline the policies to employees and help protect the employer from a lawsuit.

A CPA should also work with HR to determine how the changes will affect payroll and payroll taxes, project and plan for future wage increases, determine the impact to the company's financial health and help implement hour-tracking systems.

Prepare for the new overtime regulations now, and both your employees and your bottom line will benefit.

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