



New Overtime Regulations: It's time to prepare!

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Between recruiting for open positions, creating materials for next year's benefits plan and implementing an employee wellness program, overtime pay might not be high up on the "to do list" for many HR professionals' – but new regulations are forcing it to the top.

In May, the U.S. Department of Labor announced that millions of salaried workers, who currently do not qualify for overtime pay, will soon be eligible. Starting in December 2016, salaried employees earning less than \$47,476 are entitled to overtime pay when working more than 40 hours per week, about double the current threshold of \$23,660. Those who don't comply – or don't keep appropriate records proving that they are complying – can be penalized. While the change won't take effect for a several more months, HR personnel need to start preparing now. Here's what you should know:

Communication is Key

It's important for HR departments to be transparent in communicating why new overtime policies are being implemented and how employees are being affected. Staff may not have heard about the new regulations, so it's a good idea to start with the basics and then detail what it means for them. Tracking hours will become more important than ever, and employees who haven't done this previously need to be trained how to do so.

Protect Yourself against Litigation

New regulations may lead to increased litigation, including class action lawsuits at larger companies. The first step is categorizing employees correctly so it is clear who is affected by the overtime rules. Those who do not anticipate the change now may find themselves subject to penalties later on for non-compliance or wage and hour lawsuits. Back overtime wages, attorney fees and penalties can add up for employers who don't comply.

Alternatives to Paying Overtime

Hiring exempt freelancers or contract workers can be a solution for companies looking to avoid paying overtime, which is federally mandated at 1.5 times the normal wage. Another solution might be to hire additional people to spread the workload, thus reducing the need for overtime. This decision has to be weighed against the additional payroll costs that will be incurred in hiring additional employees. Depending on the industry and each employee's situation, this either can be perceived as a positive because it decreases the workload or a negative if it results in layoffs or missed overtime opportunities for employees who are seeking extra income.

Alternatively, employers can raise employee salaries above the new threshold. This can increase morale for employees who are receiving raises and be financially beneficial for companies. Again, this decision should be weighed in light of additional payroll that will be incurred and the trade off with higher employee morale.

Consider Morale

It may be cost-effective to lay off workers and rely on temporary or contract workers instead of paying overtime, but HR also needs to consider how this will affect employee morale and productivity. Turnover will be higher and retention will likely be an issue for employers who act too drastically to save costs. It also may hamper HR's ability to attract high-quality talent if the competition is paying ample overtime. Turnover can be more expensive than simply paying overtime to qualifying employees, so all strategies should be carefully considered.

Consult the Experts

Labor law attorneys, human resource professionals and CPAs are important resources for companies hoping to ensure a smooth transition. Attorneys and HR professionals can help update the employee handbook and ensure it includes the appropriate language to protect the company in case of a lawsuit. A CPA can help determine how the changes will affect

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payroll and payroll taxes, project and plan for future wage increases, determine the impact to the bottom line and help companies implement the increased hours tracking necessary to compute overtime.

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

Author Bio

Michael Silvio, CPA, is the Director of Tax Services at Hall & Company. He has more than 25 years of experience in public accounting and tax and has served a variety of public and private businesses in the manufacturing, distribution, pharmaceutical and biotechnology sectors.

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