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FLASH UPDATE

Minimum Salary Requirement for Exempt Workers Halted

We have been keeping you updated on a new federal overtime rule which was set to take effect on December 1, 2016. The new rule would have raised the federal minimum salary threshold for exempt workers from \$23,660 to \$47,476 per year. Yesterday, a federal district court in Texas issued a preliminary injunction preventing the rule from taking effect.

For now, *the injunction is not permanent*. That means that whether the new overtime rule will ever go into effect remains an open question with an indeterminate timeline. The injunction may become permanent at some point in the future, or it may be lifted allowing the overtime rule to take effect.

What this means for California employers is that, for now, California's minimum salary threshold for exempt works will remain at twice the state's minimum wage, or \$41,600. The federal threshold will remain at \$23,660.

Please keep in mind that *the injunction blocking the federal overtime rule does not impact California's minimum wage hike which will take place on January 1, 2017*. On January 1, 2017, California's minimum wage will still increase to \$10.50 for employers having 26 or more employees. The salary threshold for employers having 26 or more employees will also increase from \$41,600 to \$43,680. Minimum wage for employers with 25 or less employees will remain \$10.00. The salary threshold for employers with 25 or less employees will remain at \$41,600.

We recommend that employers have a plan in place to comply with the federal overtime rule in the event that the injunction is lifted. Employers do not want to have to scramble at the last minute to comply with the rule if it takes effect. As a reminder, options for responding to the salary increase include raising exempt employee salaries to the required level or re-classifying previously exempt employees as non-exempt.

We will keep you updated on this issue as things develop. Please contact us with any questions.

The purpose of our Employment Law Update is to inform clients and interested parties of recent developments in employment law. It should not be regarded as a substitute for comprehensive legal advice.

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