

Washington's New Overtime Rules



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Starting July 1, 2020, the Washington State Department of Labor & Industries (L&I) will implement significant revisions to Washington's overtime rules. The new rules increase the salary threshold and update the job duties tests that are used to determine whether an employee is required to be paid overtime. When fully implemented in 2028, Washington's new rules will expand overtime entitlement to an additional 259,000 workers.

New Minimum Salary Threshold

On July 1, 2020, Washington's minimum salary threshold will increase for all employers to \$675 a week (\$35,100 a year). That minimum salary threshold will increase incrementally until January 2028 when it will reach approximately \$1,603 a week. Thereafter, the minimum salary threshold will increase when Washington's minimum wage increases for inflation.

Note that when state and federal thresholds conflict, the employer must apply the salary threshold that is the most favorable to employees. Therefore, most Washington employers must comply with the new U.S. Department of Labor's (DOL) overtime rules which took effect on January 1, 2020 and increase the federal minimum salary threshold to \$684 a week. Washington's salary threshold will exceed the federal threshold on January 1, 2021. At that time, for workers to be exempt from overtime payments, employers with 1-50 employees must pay workers at least 1.5 times the state's minimum wage, about \$827 a week. For employers with 51 or more employees, the minimum salary threshold will be 1.75 times the minimum wage, about \$965 a week.

Updated Job Duties Tests

Washington's new overtime rules also update the job duties tests to align with the federal job duties tests. The updated job duties tests are used along with the minimum salary threshold to determine whether an employee is exempt from overtime. The updated job duties tests determine whether a worker is performing executive, administrative, professional, computer professional, or outside salesperson duties which allow an employer to classify the worker as exempt from overtime pay. These updates reduce the potential situations where an employee may be exempt under federal law but not exempt under Washington's law.

Best Practices for Employers

Employers in Washington should review their employee handbooks and employee classifications for compliance with these new rules. If an employer wishes to maintain an employee's exempt status, the employer should ensure that the worker meets the new job duties tests and is paid no

less than the updated minimum salary threshold requirements every year until 2028. Current salaried exempt employees may need to be converted to salaried nonexempt or hourly nonexempt (and paid overtime for any work over 40 hours in a workweek). Employers may be able to rein in overtime costs by limiting the number of hours of work to 40 hours per week or less.