



June 18, 2024

Dear Employer,

This letter was composed to inform you of upcoming changes to the rules governing the classification of employees as salary exempt. The United States Department of Labor published a final rule on April 23, 2024, that will take effect on two succeeding dates, July 1, 2024, and January 1, 2025.

To be classified as salary exempt an employee must meet three tests; salary basis (fixed base pay), salary level (amount of pay), and the duties (work performed) tests. The new final rule only addresses the salary level test.

The current minimum salary level required for a salary exempt employee under the Federal Fair Labor Standards Act is \$684 per week (\$35,568 per year). This is below the minimum salary level set by the *Alaska Wage and Hour Act* of double the Alaska minimum wage based on a 40-hour workweek; calculated as \$938.40 per week (\$48,796.80 per year). To meet the exemption and qualify as an exempt administrative, executive, or professional, an employee must receive a salary that meets or exceeds the required \$938.40 per week.

As of July 1, 2024, the federal salary amount will increase to \$844 per week. This remains under the minimum salary of \$938.40 per week as required by Alaska law. This means that as of July 1, 2024, employers will not see a change to the current standard applicable to employees working in Alaska (with the exception of "Highly Compensated Employees" discussed below).

However, under the newly published rule, on January 1, 2025, the new Federal minimum salary level will increase to \$1,128 per week (\$58,656 per year), exceeding Alaska's statutorily required minimum. This means that to lawfully apply the exemption, starting January 1, 2025, the minimum salary paid to exempt administrative, executive, and professional employees must meet or exceed \$1,128¹.

In addition, the newly published rule will change the minimum salary to be considered a Highly Compensated Employee (HCE). The HCE salary currently sits at \$107,432 per year and will increase to \$132,964 per year on July 1, 2024, and then \$151,164 per year on January 1, 2025. The diminished duties test for HCEs is not affected.

¹ The Federal minimum salary level will be adjusted every three years starting July 1, 2027, while the State minimum salary level is adjusted every January 1 in conjunction with State minimum wage. To maintain exempt status, employees must receive whichever minimum salary level is higher

Please be aware that improperly classifying an employee as salary exempt carries potential liabilities such as overtime violations which can carry stiff penalties. For additional information on the newly published final rule, you can visit the U.S. Department of Labor's announcement at <https://www.dol.gov/agencies/whd/overtime/rulemaking>.

An investigator with our office is available to address your questions Tuesday through Thursday, 8:30am-4:30pm, excluding the noon hour. We can be reached at (907) 269-4900.

In addition, a monthly Wage and Hour Webinar is offered by the department to both employees and employers. For details visit our website at <https://labor.alaska.gov/lss/whhome.htm>.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeremy Applegate".

Jeremy Applegate
Investigator 5/Chief
Wage and Hour
Department of Labor & Workforce Development
State of Alaska