Key Facts of the Washington Overtime Rules Changes

What is being changed

- L&I is setting a new minimum salary threshold and updating the job duties tests, both used to determine which employees can be classified as exempt from overtime and other Minimum Wage Act protections.
- These changes will generally affect employees with management-level and professional duties who are considered exempt from overtime pay.
- After the initial increase in 2020, the new salary threshold will be phased in at different rates depending on the size of the employer, with the threshold increasing at a slower rate for employers with 50 or fewer staff. The overtime threshold will be the same for all size employers starting in 2028.

Effective date

- The state rules changes take effect July 1, 2020.
- Increases in the minimum required salary threshold for overtime exempt employees will be phased in incrementally, with a more gradual phase-in for small businesses, through 2028.
- After that, increases will be tied to changes in the state’s minimum wage as it’s adjusted for inflation.
- It is important to know that the federal overtime salary threshold is increasing on January 1, 2020. This change will affect some overtime exempt workers in our state who are currently making less than the new federal standard.

Current minimum salary threshold

- The minimum salary threshold is currently $455 a week ($23,660 a year) under the more favorable federal rules.
- The U.S. Department of Labor is raising its threshold to $684 a week ($35,568 a year) beginning Jan. 1, 2020. Washington employers will need to comply with this new standard starting the first of the year.
- The current state threshold is $250 a week ($13,000 a year). Because it is so low, Washington has been using the federal threshold for many years. That will change when our state exceeds the federal standard in 2021.

The multiplier

- L&I is using a multiplier of the state minimum wage to determine the minimum salary threshold. For example, in July of 2020 the state overtime exempt salary threshold will be determined by multiplying the current state minimum wage by 1.25. The state’s minimum wage will rise to $13.50 an hour on Jan. 1, 2020.
- By 2028, the threshold will be, and will remain at, 2.5 times the state minimum wage for both smaller (50 or fewer employees) and larger (51 or more employees) businesses.
Changing the job duties tests

- The rules changes also update the job duties tests used to determine if an employee qualifies for the overtime exemption, more closely aligning the state tests with federal standards.
- The tests determine whether a worker is performing management-level or professional duties which allow an employer to classify the worker as overtime exempt.

Minimum salary threshold for 2020

- The new state rules set the salary threshold for all businesses at 1.25 times the state minimum wage, $675 a week ($35,100 a year), beginning July 1, 2020, and running through the end of the year. (The state’s minimum wage will rise to $13.50 an hour on Jan. 1, 2020.)
- Washington uses the threshold that is most favorable to the employee. Because the federal threshold will be higher in 2020, at $684 a week, employees must earn at least that amount to be exempt.

Changes in 2021

- Beginning Jan. 1, 2021, employees at small businesses will have to earn at least 1.5 times the state minimum wage (an estimated $827 a week/$43,004 a year) to be exempt.
- Employees at large businesses will have to earn at least 1.75 times the state minimum wage (an estimated $965 a week/$50,180 a year) to be exempt.

Minimum salary by 2028

- Starting in 2028, all exempt salaried employees will have to earn 2.5 times the state minimum wage, regardless of the number of employees where they work.
- Based on current projections, that will be an estimated $1,638 a week ($83,356 a year). These numbers will likely change depending on inflation and the current minimum wage in 2028.

Small vs. large business

- A small business is defined in the rules as one with 1-50 Washington-based employees.
- A large business has 51 or more Washington-based employees.
- The employee count includes all full-time and part-time Washington-based employees working for a business as of the effective date of each step of the implementation schedule.

Who this impacts

- An estimated 259,099 workers in Washington will become eligible for overtime pay by the time the rules are fully implemented in 2028.
- An additional estimated 235,000 workers will have their overtime protection strengthened by 2028. This is the number of workers who are currently entitled to overtime, but have not been receiving it because their employer might not be properly applying the job duties tests.

When was the state OT rule last updated?

- The rules governing these exemptions have not been updated since 1976, and these standards no longer accurately reflect the current expectations of exempt workers, given changes in the workforce over the last four decades.
- The automatic updating mechanism in the adopted rules prevents that from happening again.