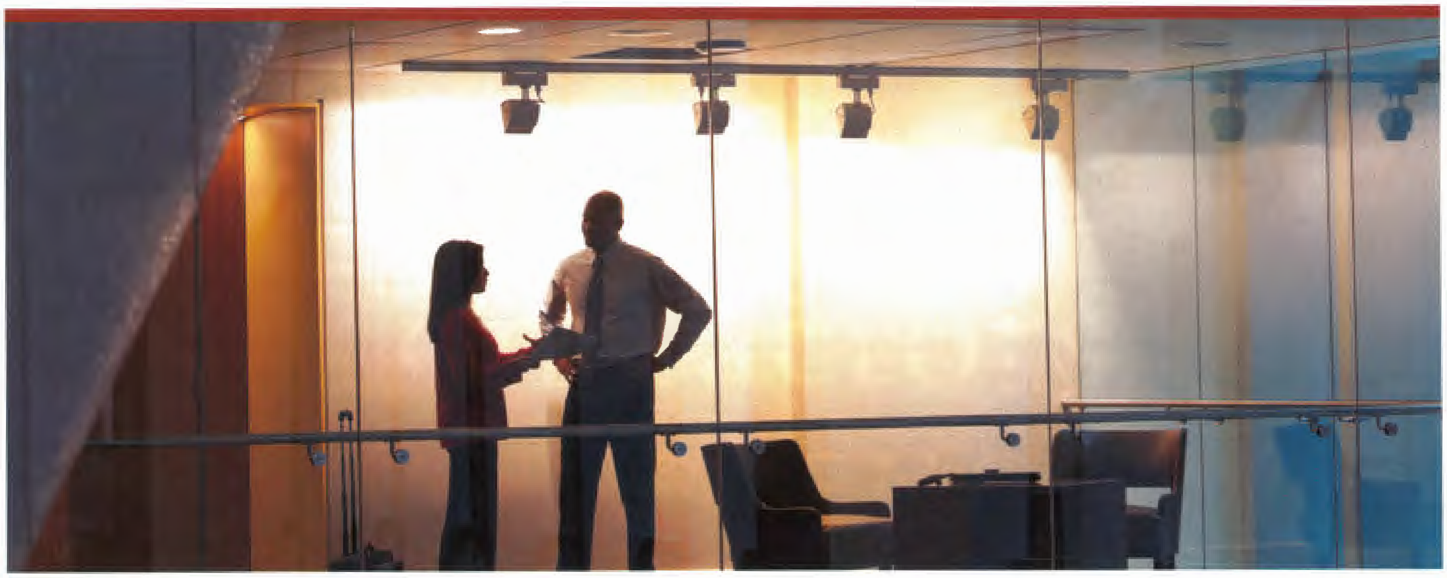
DOL's new overtime rule: Assessing the impact

FROM THE AICPA



The Department of Labor on May 18 released a final rule amending the requirements for overtime pay that would dramatically increase the salary thresholds for exemption for CPA firms and other businesses in Maryland and throughout the nation.

Under the Fair Labor Standards Act, employees who work more than 40 hours in a week are entitled to overtime pay unless they meet the requirements of either wage-level and duties tests. The new rule doubles the minimum salary threshold from $23,660 to $47,476 annually and raises the exemption salary level for what are considered "highly compensated employees" from $100,000 to $134,004 annual. The Department of Labor estimates that this rule change will directly impact some 4.2 million workers across the United States not currently eligible for overtime and may reclassify an additional 8.9 million salaried workers as non-exempt.

Businesses nationwide are assessing the effects of the new overtime-pay rule, with many companies saying the regulation will lead them to reduce workers' hours, cut benefits, or limit flexible office arrangements.

Companies will have until Dec. 1 to make determinations on which employees to reclassify as non-exempt and implement the changes.

In Maryland, CPA firms and clients alike are expressing concern about the rule's impact.

"The rule may be well-intentioned but is likely to have unintended consequences," said MACPA Executive Director Tom Hood, CPA. "Expanding the pool of overtime-eligible employees will force firms and companies to resort to cost-saving measures to maintain current payroll levels. The Labor Department received 270,000 public comments on its proposal, many from employers who believe the rule will force them to cap workers' hours, slow the hiring of full-time employees, and shift salaried workers to hourly schedules."

While most accounting firms will work to absorb the additional payroll expectations, the overtime rule will have a significant negative impact on smaller accounting firms. Of particular concern are the impacts the change in overtime has on major decisions such as hiring, expansion, the offering of benefits, and the ability to offer flexible working arrangements.

Further, the DOL does not take into consideration the seasonal nature of the accounting profession, nor the numerous small firms that are unable to increase the salaries of their employees to comply with the exemption threshold while also meeting the demands of tax season each year.

"The proposed revisions fail to modernize or streamline the regulations, are not reflective of the realities of the modern workplace and a changing workforce, and would adversely affect both employees and employers," said Barry Melancon, CPA, CGMA, president and CEO of the American Institute of CPAs. "The DOL's modifications to the rule did little to lessen the likelihood that CPA firms and countless other businesses will be forced to curtail hiring – and may even have to reduce the size of their workforce."

The MACPA will continue to work with the AICPA, the U.S. Chamber of Commerce's Partnership to Protect Workplace Opportunity, and the American Society of Association Executives to urge Congress to intervene in the process so that regulations governing overtime pay reflect the evolving workplace in a manner that is not economically counterproductive.