

WEBINAR SERIES

# Wage & Hour Compliance:

FLSA and 2025  
Overview

June 4, 2025



# Today's Presenters



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# Today's Agenda

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- FLSA Refresher
- Hours Worked & Overtime Pay
- Deductions From Employees Salary
- State Labor Law Updates
- Audits, Enforcement & Independent Contractor Classification
- Compliance Best Practices & Prestige Support

## Webinar Forum

*All participants are muted.*

*Please type questions in the side navigation panel and we will try to address most questions during today's session.*

*Today's presentation will be posted online at [prestigepeo.com/webinars](https://prestigepeo.com/webinars)*

# FLSA Refresher: Key Rules and Exemptions

# Key Exemption Categories (FLSA)

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Employees must meet job duty and salary requirements to be exempt from overtime.

## Executive Exemption

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- Leads a department or team
- Manages 2+ full-time employees
- Can hire/fire or make key staff decisions
- Paid a minimum salary (varies by state)

## Administrative Exemption

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- Performs office or business operations
- Exercises independent judgment on key matters
- Paid a minimum salary (varies by state)

# More Exempt Roles Under FLSA

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## Professional Exemption

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- Advanced knowledge (science, education, law, etc.)
- Requires specialized education
- Uses discretion and judgment
- Paid a minimum salary (varies by state)

- **Other Exemptions**

## Outside Sales Exemption

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- Makes sales or gets service contracts
- Works outside the office regularly
- No salary minimum required

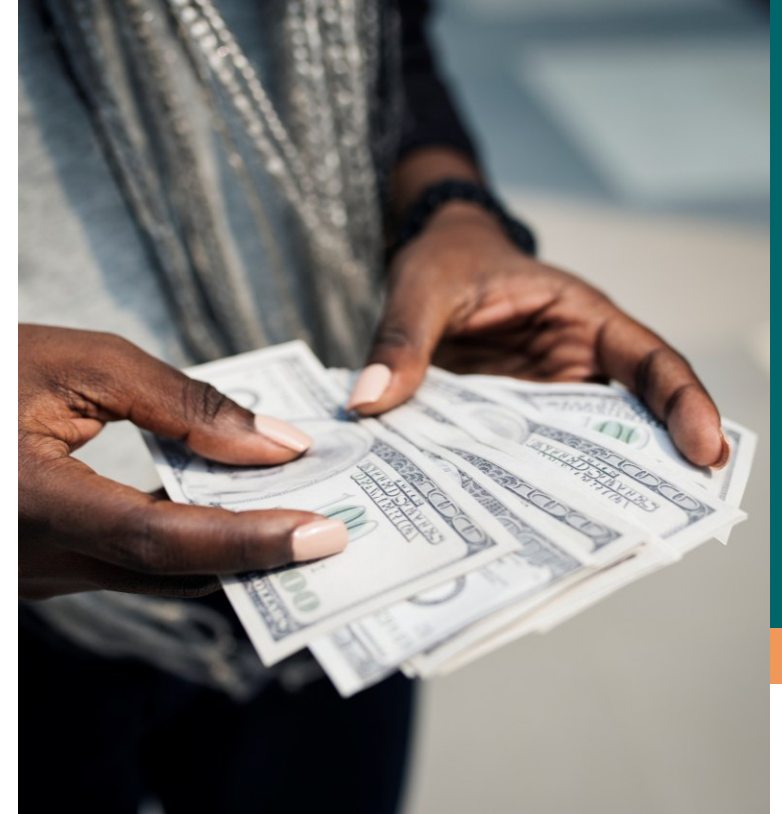
# 2025 Exempt Salary Threshold (Federal)

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Federal Rule (FLSA):

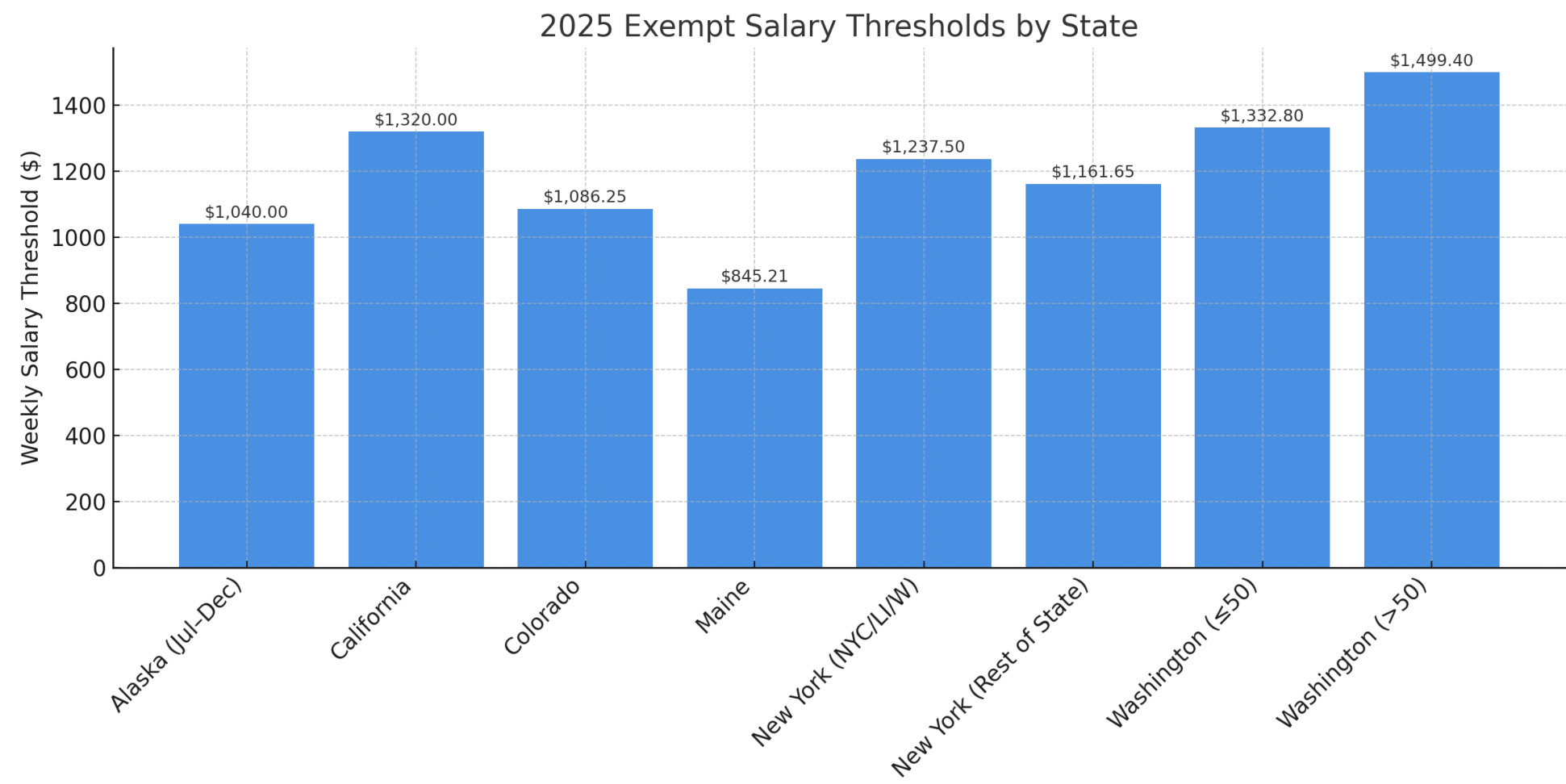
Current: \$684/week (\$35,568/year)

Proposed (2025): \$1,128/week (Blocked by court)





# Exempt Salary Levels by State – Effective 2025



# Work Hours and Overtime

# What Counts as Hours Worked

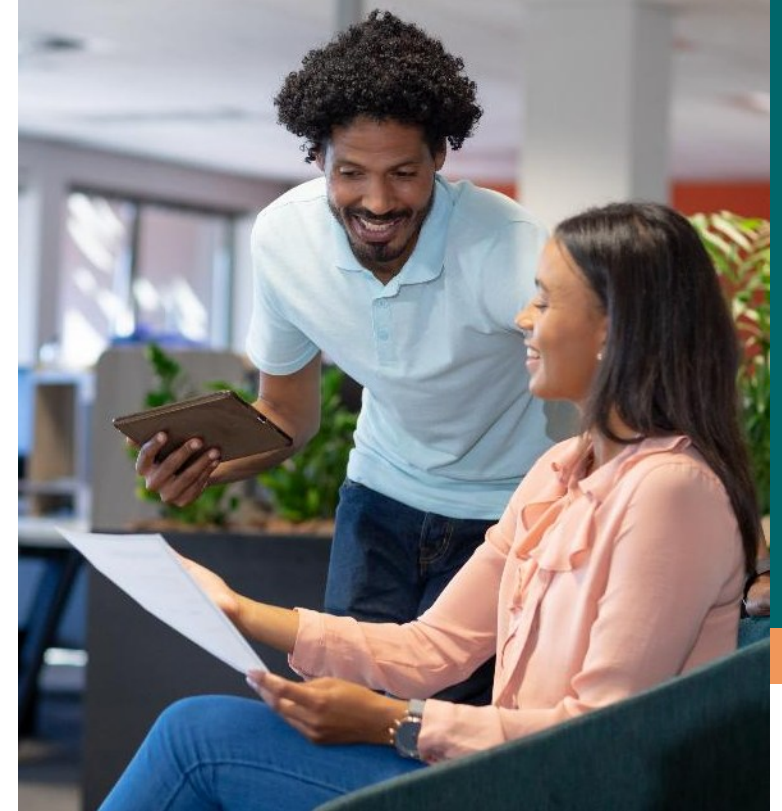
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## **Includes:**

- Waiting time
- Restricted on-call time
- Travel between job sites during the workday (not normal commuting)
- Required preparation and closing activities

## **Excludes:**

- Normal commuting
- Unpaid voluntary training
- Breaks when fully relieved



# Training Time and Overtime Monitoring

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## Training Time

*(Not Paid if ALL are True):*

- Voluntary
- Outside regular hours
- Unrelated to current job
- No productive work performed

## Important Reminders

- Timekeeping must be accurate
- Monitor and prevent unauthorized overtime

# Overtime Basics

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- 1.5× regular rate for hours over 40 in a workweek
- No averaging hours across multiple weeks
- Overtime must be paid even if not pre-approved

## Weighted (Blended) Overtime

- Used when an employee works multiple jobs or rates in the same week. A blended average rate is calculated to ensure accurate overtime pay for hours over 40.

## States with Daily Overtime Rules

In addition to the 40-hour weekly rule, these 4 states require daily overtime:

- **California:**
  - Overtime after 8 hours/day
  - Double time after 12 hours/day or 8 hours on the 7th consecutive day

- **Colorado:**
  - Overtime after 12 hours/day
- **Alaska:**
  - Overtime after 8 hours/day
- **Nevada:**
  - Overtime after 8 hours/day if earning less than 1.5× minimum wage
  - Otherwise, overtime applies after 40 hours/week

# Overtime Calculation

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## Standard Overtime Example

- Regular rate: \$10/hour
- Overtime rate:  $\$10 \times 1.5 = \$15/\text{hour}$
- Worked 45 hours  $\rightarrow$  5 overtime hours
- Overtime pay:  $5 \times \$15 = \$75$
- Only hours worked count toward overtime (not PTO, holidays, etc.)

## Blended (Weighted) Overtime

- Used when an employee has multiple pay rates or non-discretionary bonuses in a week.

## Steps:

- $\text{Total Earnings} \div \text{Total Hours Worked} = \text{Average Regular Rate}$
- $\text{Average Regular Rate} \times 0.5 = \text{Premium OT Rate}$
- $\text{Premium OT Rate} \times \text{OT Hours} = \text{Weighted Overtime Pay}$
- Example: If the average rate = \$18  
 $\$18 \times 0.5 = \$9 \rightarrow \$9 \times \text{OT hours} = \text{overtime premium}$

# When Can Deductions Be Made from an Employee's Salary?



# Federal Updates Deductions (2025)

## Permissible Deductions

- Social Security Tax: The wage base increased from \$168,600 to \$176,100. Both employers and employees contribute 6.2%, with a maximum tax of \$10,918.20 each.
- Medicare Tax: The rate remains 1.45% for both parties, with no wage cap. An additional 0.9% applies to employees earning over \$200,000; employers do not match this extra tax.

## Non-Permissible Deductions

- Federal law prohibits any deduction that reduces pay below the federal minimum wage or is not authorized by the employee.
- Examples include deductions for uniforms or tools that lower wages beneath the legal threshold.

## Deductions From Exempt Employees Salary

## Safe- Harbor Rules



# State and Local Updates Deductions (2025)

## New Jersey

- **Unemployment Insurance Taxable Wage Base:** Raised to \$43,300.
- **Temporary Disability and Family Leave Insurance:** Taxable wage base set at \$165,400. Employees contribute 0.23% for disability and 0.33 percent for family leave.
- **Uniform Deductions:** Allowed only with employee and union consent and must not reduce wages below the minimum wage.

## Hawaii

- **Income Tax Brackets:** Revised beginning January 1, 2025. The lowest rate of 1.4 percent applies to income under \$9,600, and the highest rate of 11 percent applies to income over \$325,000.

## Alabama

- **Overtime Pay Exemption:** Overtime earnings remain exempt from state income tax through June 30, 2025.



# 2025 State Labor Law Updates

# 2025 Meal and Rest Break Law Updates (Effective 2025)

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- **Washington:** Healthcare facilities must now ensure that breaks are provided at least 80% of the time and submit quarterly compliance reports.
- **Oregon:** The state clarified that workers must receive a 30-minute meal break for 6- to 14-hour shifts, with minors entitled to 15-minute rest breaks.
- **New York:** Meal break rules were reaffirmed, requiring longer breaks for factory workers and an additional 20-minute break for extended shifts.
- **Rhode Island:** New rules specify a 20-minute break for 6- to 14-hour shifts and a 30-minute break for shifts over 8 hours.
- **Connecticut:** Employees working over 7.5 hours must receive a 30-minute unpaid meal break between the first and last two hours of their shift.
- **Delaware:** Reaffirmed that employees working more than 7.5 hours get a 30-minute unpaid meal break scheduled mid-shift.

# Equal Pay and Pay Transparency Laws (Effective 2025)

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- **Illinois:** Effective January 1, 2025, employers with 15 or more employees must include pay scale and benefits information in all job postings. Additionally, within 14 days of an external job posting, employers must announce the opportunity internally to current employees.
- **Minnesota:** Starting January 1, 2025, employers with 30 or more employees must include the starting salary range and a general description of benefits in job postings.
- **New Jersey:** Effective June 1, 2025, employers with 10 or more employees must disclose the hourly wage or salary, or a range thereof, and a general description of benefits in all job postings. Employers must also make reasonable efforts to announce promotion opportunities to all current employees before making a promotion decision.
- **Vermont:** Starting July 1, 2025, employers with five or more employees must include compensation or a range of compensation in any advertisement for a specific Vermont job opening.
- **Massachusetts:** Effective October 29, 2025, employers with 100 or more employees must submit wage data reports annually.

# Sick Leave Updates – Effective 2025

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## Newly Implemented Sick Leave:

- **Alaska:** 1 hour/30 hours worked, up to 56 hours/year (15+ employees), 40 hours for smaller employers (July 1)
- **Missouri:** 1 hour/30 hours worked for all private employers (May 1)
- **Nebraska:** 1 hour/30 hours worked for all private employers (Oct 1)

## Expanded Coverage:

- **Connecticut:** Expands to 25+ employees (Jan 1); 11+ in 2026; all in 2027
- **Michigan:** 72 hours/year for large employers; 40 hours for small (Feb 21)

## Increased Sick Leave:

- **California:** Increase from 3 to 5 days/year (Jan 1)

## Special Additions:

- **New York:** 20 hours/year prenatal leave (Jan 1)
- **Washington:** Paid sick leave expanded to include immigration-related needs (Jan 1)

# New York/New York City Updates

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## **Stricter Lactation Break Laws (NY & NYC Focus)**

- **Federal Rule (FLSA):**
  - Breaks plus a private space (not a bathroom) for 1 year
  - No 2025 changes
- **New York (Effective June 19, 2024):**
  - 30 minutes of paid break time as needed
  - For up to 3 years after childbirth
- **New York City (Effective May 11, 2025):**
  - Employers must post their lactation accommodation policy both physically and electronically.

## **Employers must update policies and postings**

- **New York Pay Frequency Requirements (Effective May 9, 2025)**
  - Manual Workers

# Audits, Enforcement, & Independent Contractor Rules

# DOL Audit Triggers & Review Focus

## **DOL Audit Triggers**

- Employee complaints
- Industry-specific targeting
- Agency referrals

## **What Auditors Review**

- Timekeeping records
- Classification and pay documentation
- Deductions and payroll accuracy



# PrestigePEO Audits and Recordkeeping Best Practices

**Audit Timing:** Conducted at client onboarding, for each new hire, and annually.

## **Recordkeeping Requirements:**

- Keep basic employment/payroll records for **at least 2 years**.
- Tip-earning employee records must be retained for **3 years**, including hours worked and tips reported.
- Best practice: Retain records **longer than legal minimums** to reduce audit risk.

## **Time Tracking Compliance:**

- Accurately track time for **nonexempt employees**—essential to justify unpaid OT claims.

**Electronic timekeeping systems** (e.g., Kronos, Timeco) are more reliable than paper logs and favorable in audits.

# Independent Contractor Classification (Effective May 2025)

# Independent Contractor Updates

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## DOL Withdraws 2024 Rule

### "Totality of the Circumstances" Test (No longer in effect)

**Background (2024 Rule):** The DOL introduced a 6-factor test to determine if a worker was an employee or independent contractor under the FLSA.

**Goal:** To make it harder to label people as independent contractors.

**Withdrawn:** May 1, 2025 – due to confusion and difficulty applying the rule in practice

# Independent Contractor Updates

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## What Replaced It:

### 2008 “Economic Reality” Test (Reinstated in 2025)

**Goal:** Determines whether a worker is economically dependent on the employer (an employee) or is in business for themselves (an independent contractor).

### 2008 Economic Reality Test

- The degree of control exercised by the employer over the work.
- The worker’s opportunity for profit or loss depending on managerial skill.
- The worker’s investment in equipment or materials required for the task.
- The degree of skill and initiative required in performing the job.
- The permanence of the working relationship.
- Whether the service rendered is an integral part of the employer’s business.

# Independent Contractor Typical Problems

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- Construction Industry
- Treating Independent Contractors As Employees
- Not Having An Independent Contractor Agreement



# Independent Contractor Updates

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- Reevaluate Contractors
- Update Contracts
- Run Internal Audits
- Prepare Documentation



# Compliance & Risk Penalties

# Penalties & Risk Reduction

## **Federal Increases (Effective Jan 15, 2025)**

- OSHA Violations
- FMLA Posting Violations
- New York Labor Law Reforms
- Pay Frequency Violations
- Enforcement Tools



# State Enforcement & Compliance Programs (2025)

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## New Jersey

- **New Jersey – Wage & Hour Enforcement**
- **Retire Ready NJ:**
  - Employers (25+): Must offer a retirement plan
  - Non-compliance can trigger significant penalties
- **Wage & Hour Violations:**
  - Up to 200% of unpaid wages in damages
  - 10%–25% admin fees to state  
→ High financial risk for wage errors

## • California – PAGA Reforms (Effective Oct 1, 2024)

- **Penalty Reductions:**
  - Up to **85% off** if cured before notice
  - Up to **70% off** if cured within 60 days after  
→ **Early correction = major savings**



# PrestigePEO

We Are Here To  
Support Your Business

# PrestigePEO Resources to Support Your Business

## Compliance Support

- Onboarding, new hire & annual audits (FLSA)
- Guidance on hours worked, payroll, OT, job roles & evaluations
- Best practices to meet DOL & wage/hour standards

## Certified PEO (CPEO)

- IRS-recognized (Form 8973 filed on your behalf)
- Ensures proper tax filings (Forms 940/941) & reduces risk

## Retirement Plan + SECURE 2.0 Tax Credits

- Access to PrestigePEO's 401(k) Multiple Employer Plan (MEP)
- Tax credits:
  - Up to **\$5K/year** startup (3 years)
  - Up to **\$1K/employee** in match credits
  - **\$500/year** for auto-enroll

# Helpful Resources

# Federal Resources for Compliance

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## Federal Resources

### Department of Labor (DOL):

- Overtime Rules: [www.dol.gov/agencies/whd/overtime](http://www.dol.gov/agencies/whd/overtime)
- Overtime Salary Levels: [www.dol.gov/agencies/whd/overtime/salary](http://www.dol.gov/agencies/whd/overtime/salary)
- FLSA Fact Sheets: [www.dol.gov/agencies/whd/fact-sheets](http://www.dol.gov/agencies/whd/fact-sheets)
- Fact Sheet – Highly Compensated Employees (HCE): [www.dol.gov/agencies/whd/fact-sheets/17h-highly-compensated](http://www.dol.gov/agencies/whd/fact-sheets/17h-highly-compensated)
- Overtime Calculator Advisor (FLSA): [webapps.dol.gov/elaws/otcalculator.htm](http://webapps.dol.gov/elaws/otcalculator.htm)
- Final Rule on Executive/Admin/Professional Exemptions (Federal Register): [federalregister.gov/documents/2024/04/26/2024-08357](http://federalregister.gov/documents/2024/04/26/2024-08357)

### Occupational Safety and Health Administration (OSHA):

- Penalties & Safety Standards: [www.osha.gov/penalties](http://www.osha.gov/penalties)

### Internal Revenue Service (IRS):

- Employer Tax Credit for Paid Family and Medical Leave: [www.irs.gov/businesses/small-businesses-self-employed/employer-credit-for-paid-family-and-medical-leave](http://www.irs.gov/businesses/small-businesses-self-employed/employer-credit-for-paid-family-and-medical-leave)
- Certified Professional Employer Organization (CPEO): [www.irs.gov/cpeo](http://www.irs.gov/cpeo)
- SECURE 2.0 Retirement Reform: [www.irs.gov/retirement-plans/secure-act-2-0](http://www.irs.gov/retirement-plans/secure-act-2-0)

# State Compliance Resources

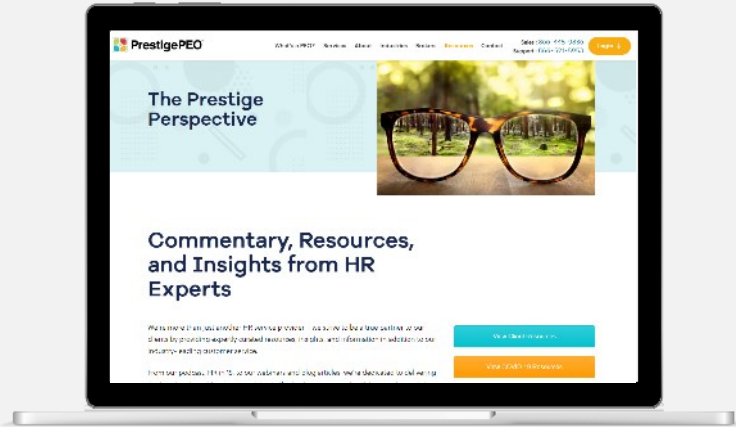
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- **New York State DOL**  
<https://dol.ny.gov>
- **New Jersey Labor Laws**  
<https://www.nj.gov/labor/>
- **California Labor Commissioner**  
<https://www.dir.ca.gov/dlse/>
- **Connecticut DOL**  
<https://www.ctdol.state.ct.us>
- **PrestigePEO: [Minimum Wage & Salary Threshold](#)**

# Questions



# Questions / Comments / Discussion?



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