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Page Title: New FLSA Rules and Their Potential Impact on Nonprofit Payrolls | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] discusses new regulations under the Fair Labor Standards Act of 1938 that are set to affect a wide range of businesses nationwide, including nonprofit organizations.

Headline: New FLSA Rules and Their Potential Impact on Nonprofit Payrolls

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In September 2023, the Department of Labor (DOL) proposed new regulations under the Fair Labor Standards Act of 1938 (FLSA). The proposed changes will have far-reaching impacts on many businesses across the country—including nonprofit organizations. And while these changes aren't exactly coming out-of-the-blue, they have left some nonprofit organizations scrambling to adjust their payroll processes to ensure compliance.

Background Behind FLSA Changes

Since the FLSA was implemented in 1938, one of its core concepts has been the promise of a 40-hour work week. Under the FLSA, workers are entitled to overtime pay for any hours worked after 40. Over the years, however, many exceptions to this rule have been written into law, creating unfair work conditions for many Americans.

One of the main goals of these changes to the FLSA, then, is to ensure that all workers are paid fairly for time worked beyond their agreed-upon 40-hour week.

More About Specific Changes

So, what exactly are these changes and how will they affect nonprofit organizations specifically? One of the most notable changes is an increased minimum salary threshold to determine whether an employee is considered exempt or nonexempt from overtime pay.

Under previous law, the minimum salary for an exempt employee was just over \$35,000 per year. Under FLSA changes, however, the threshold increases to \$43,888 by July 1, 2024 and \$58,656 by January 2025.

All of this means that employees who are compensated at higher salaries may no longer be exempt from overtime pay when these changes go into effect. Of course, it is worth noting that salary is just one consideration in determining whether an employee is exempt or nonexempt (there are two other thresholds used as well). Still, this is a notable change that will likely have major impacts on nonprofits and for-profits alike.

Potential Impact on Nonprofits

Specifically, nonprofits with employees whose salaries fall between old and new threshold ranges may have workers eligible for overtime pay who were not eligible in the past. For nonprofits where these employees regularly work more than 40 hours per week, this could have a major impact on the organization's finances.

Meanwhile, salaried employees who were previously under the threshold may not have bothered tracking their hours. However, those who will now be categorized as nonexempt will need to change their tracking and reporting to ensure fair pay. This may also create more work for payroll and accounting teams.

What Action Should Nonprofits Take Now?

The potential impact of these FLSA changes on nonprofits could be significant, especially for organizations where previously exempt workers will suddenly become eligible for overtime pay. So, what are some things nonprofits should be doing now to prepare?

For starters, now is a good time for all nonprofits to review their employee rosters, as well as salaries and exempt classifications. This will help determine which workers could potentially be impacted and to what extent for planning purposes.

Of course, it is also worth noting that there could still be legal challenges to these rule changes—so it is always possible that these proposed changes could be redacted before they begin to be implemented in July. Still, nonprofits simply cannot afford to take a “wait-and-see” approach here. The time to prepare is now, especially when taking into account potential cost of compensation adjustments that many nonprofits may face as a result of these changes.

Protecting the Bottom Line

Only time will tell whether the proposed FLSA changes will actually be implemented come July—but with these changes only a couple of months away, nonprofits need to start preparing for the very real possibility now. This should be done by carefully reviewing employee salary and compensation data to determine how these changes to overtime exemptions may affect the organization’s bottom line.

The process of going through this information can be extremely time-consuming, especially for nonprofits with larger employee rosters. If this is the case, then it may be worth working with an experienced financial advisor or other professional to expedite the process and take some of the burden off team members. This way, employees can continue focusing on the work that is important to their cause while ensuring that the organization is prepared for any changes to exemptions and overtime pay as they may occur.

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