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## New York employers face higher 2020 labor costs

Effective December 31, 2019, New York state is set to increase minimum hourly wage rates along with the salary thresholds for its administrative and executive exemptions from overtime pay. Employers should review their employee classifications and pay practices to ensure compliance.

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### Background

Both the federal Fair Labor Standards Act (FLSA) and the New York Minimum Wage Act generally require the payment of overtime wages for work performed in excess of 40 hours per week. Both the FLSA and New York state law set minimum wage rates, exempt employees who work in a *bona fide* executive or administrative capacity from overtime pay requirements, and establish criteria for those exemptions.

A series of minimum wage increases began in 2016 to gradually raise the state's general minimum wage to \$15.00 per hour. Phased-in rate increases were set for each of three regions — New York City, downstate (Nassau, Suffolk and Westchester Counties), and upstate (the remainder of the state). (See our [April 27, 2016 FYI](#).) The New York State Department of Labor scheduled sequential increases in the state salary threshold for both the executive and administrative exemptions and minimum hourly wage rates. (See our [January 12, 2017 FYI](#).)

### Overtime exemptions

On December 31, 2019, the minimum salary level for the executive and administrative exemptions from New York state's overtime pay requirements is set to increase for the fourth time in as many years. The salary thresholds differ based on where the employee works and, in New York City, by the employer's size. As shown below, all New York City employers will be subject to the highest scheduled minimum salary level for the state's executive and administrative exemptions by 2020, while employers outside the city will face additional increases in 2020 and 2021.

## Minimum salary levels for executive and administrative exemptions

Employer size/location	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
NYC – 11 or more employees	\$825 / week (\$42,900 annually)	\$975 / week (\$50,700 annually)	\$1,125 / week (\$58,500 annually)	\$1,125 / week (\$58,500 annually)	\$1,125 / week (\$58,500 annually)	\$1,125 / week (\$58,500 annually)
NYC – 10 or fewer employees	\$787.50 / week (\$40,950 annually)	\$900 / week (\$46,800 annually)	\$1,012.50 / week (\$52,650 annually)	\$1,125 / week (\$58,500 annually)	\$1,125 / week (\$58,500 annually)	\$1,125 / week (\$58,500 annually)
Nassau, Suffolk and Westchester Counties	\$750 / week (\$39,000 annually)	\$825 / week (\$42,900 annually)	\$900 / week (\$46,800 annually)	\$975 / week (\$50,700 annually)	\$1050 / week (\$54,600 annually)	\$1,125 / week (\$58,500 annually)
Remainder of New York state	\$727.50 / week (\$37,830 annually)	\$780 / week (\$40,560 annually)	\$832 / week (\$43,264 annually)	\$885 / week (\$46,020 annually)	\$937.50 / week (\$48,750 annually)	\$937.50 / week (\$48,750 annually)

**Buck comment.** Where federal and state wage rates and/or exemptions differ, New York employers are subject to those that provide the most generous benefit to their employees. Although the FLSA’s salary threshold for “white-collar” exemptions is slated to increase from \$455 to \$684 per week (or from \$23,660 to \$35,308 annually) on January 1, 2020, it would still be lower than New York’s minimum requirement for the state’s executive and administrative exemptions. (See our [September 26, 2019 FYI Alert](#).) While the increased federal threshold will not impact those exemptions, other “white-collar” exemptions recognized by New York but not subject to a state salary threshold (such as the professional and outside salesperson exemptions) would be subject to the new federal minimum requirements.

## Minimum wage rates

The fourth in a series of annual increases to phase in a \$15.00 general minimum wage rate across the state is set to take effect on December 31, 2019. The rate increases differ by region — New York City, downstate (Nassau, Suffolk and Westchester Counties), and upstate (the remainder of the state) — on the following schedule. Because all regional rates exceed the current federal hourly minimum rate of \$7.25, employers must pay New York employees at the applicable higher state rates.

## General minimum hourly wage rates\*

Employer size/location	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
NYC – 11 or more employees	\$11.00	\$13.00	\$15.00	\$15.00	\$15.00	\$15.00
NYC – 10 or fewer employees	\$10.50	\$12.00	\$13.50	\$15.00	\$15.00	\$15.00
Nassau, Suffolk and Westchester Counties	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Remainder of New York state	\$9.70	\$10.40	\$11.10	\$11.80	\$12.50	TBD annually, up to \$15.00 per hour**

\* Different wage rates apply to the fast food industry. The hourly rates for fast food workers in NYC reached \$15.00 at the end of 2018 and will reach \$15.00 for the rest of the state in July 2021.

\*\* Annual increases for the rest of the state will continue until the rate reaches \$15 minimum wage (and \$10 tipped wage). Starting in July, annual increases will be published by the commissioner of labor on or before October 1.

## In closing

To usher in 2020, New York is set to increase the salary thresholds for its executive and administrative overtime exemptions and to raise minimum wage rates in the fourth of six scheduled annual increases. Employers will want to review their employee classifications and pay practices on a location-by-location basis to ensure compliance.

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