

Ask SCORE

I'm confused about the rules for paying employees overtime. Can you explain them to me?

Should you be paying overtime to your employees? The answer is: it depends.

Under the U.S. Fair Labor Standards Act (FLSA), employers are required to pay overtime to most hourly employees who work more than 40 hours a week for businesses that take in more than \$500,000 a year in revenue.

Just because your small business earns less doesn't mean you're off the hook, however. FLSA also applies to any business "engaged in interstate commerce, the production of goods for interstate commerce, or an activity that is closely related and directly essential to the production of such goods." But it's not a blanket rule either. FLSA applies only to jobs that involve some form of interstate commerce.

Employers can also exempt certain executive, administrative or professional positions from overtime regulations. The employee must receive a salary or fee of at least \$455 per week, with job duties that meet specific requirements.

Defining those responsibilities can be tricky, and the U.S. Department of Labor's Wage and Hour Division (WHD) is often called upon to make judgment calls not only on the applicability of FLSA, as well as state overtime laws.

Fortunately, the WHD's website (www.wagehour.dol.gov) offers a wealth detailed information on federal requirements for overtime and other aspects of the FLSA, including minimum wages, family and medical leave and related topics critical to small business. State requirements and contacts are also listed, as well as responses to inquiries to what regulations do/do not apply in certain situations.

An attorney who specializes in human resource issues will also be a good resource for interpreting state and local overtime laws, and how they directly affect your small business.

Small business owners should also be aware of areas not covered by FLSA. They include:

- vacation, holiday, severance or sick pay;
- meal or rest periods, holidays off or vacations;
- premium pay for weekend or holiday work;
- pay raises or fringe benefits; or
- a discharge notice, reason for discharge or immediate payment of final wages to terminated employees.

This column is brought to you by the Merrimack Valley Chapter of SCORE, with nearly 70 current and former business executives available to provide free, confidential, one-on-one business mentoring and training workshops for area businesses. Call 603-666-7561 or visit merrimackvalley.score.org for information on mentoring, upcoming workshops and volunteer opportunities. SCORE is a national, non-profit organization and a resource partner of the U. S. Small Business Administration.