
**Labor & Workplace Standards
Committee**

HB 1184

Brief Description: Creating a narrow exemption from overtime provisions for certain nonprofits and small businesses.

Sponsors: Representatives Schmidt, Couture, Jacobsen, Eslick, Klicker and McClintock.

Brief Summary of Bill

- Exempts an employee from the state overtime pay requirements if the employee performs certain executive, administrative, or professional duties, is employed by a small business or nonprofit organization meeting certain criteria, and is paid a predetermined fixed salary of at least 1.5 times the state minimum wage for a 40-hour workweek.

Hearing Date: 1/15/25

Staff: Kelly Leonard (786-7147).

Background:

Employers must comply with all federal, state, and local laws governing wages, overtime, and employment standards. Where those requirements vary, employers must pay the highest applicable minimum wage and comply with the most protective standards.

State Minimum Wage and Overtime.

The Washington Minimum Wage Act (MWA) establishes a state minimum hourly wage and requires overtime pay for certain workers, among other requirements. Employers must pay employees the minimum wage for all hours worked. As of January 1, 2025, the state minimum hourly wage is \$16.66.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Employees must be paid overtime for any hours worked in excess of 40 hours in a 7-day workweek. Overtime pay must be at least 1.5 times the employee's regular hourly rate. Employees cannot waive their right to overtime pay.

Exempt Professionals.

Certain executive, administrative, and professional employees are exempt from the MWA. For these employees to be classified as exempt, a three-part test must be satisfied:

1. the employee's job duties must primarily involve executive, administrative, or professional duties as defined by rules adopted by the Department of Labor and Industries (L&I);
2. the employee must be paid a predetermined and fixed salary; and
3. the salary must meet a minimum threshold.

L&I is directed to establish the minimum salary threshold for exempt employees. The threshold is calculated based on a set multiplier of the state minimum wage for a 40-hour workweek. In 2020 L&I adopted rules to incrementally increase the multiplier from 1.25 in 2020 to 2.5 in 2028, with different timing for small and large employers. The remaining phases of the schedule are as follows:

Date	Multiplier for Small Employer (50 or fewer employees)	Multiplier for Large Employer (51 or more employees)
Current	2	2.25
January 1, 2026	2.25	2.25
January 1, 2027	2.25	2.5
January 1, 2028	2.5	2.5

For example, for a professional currently working for a small employer to be exempt, the professional's weekly salary must be at least \$1,332.80 (2 x \$16.66 x 40 hours).

If the three-part test is satisfied, including the salary threshold, then the employee is not subject to the MWA, including the state minimum wage, overtime, paid sick leave, and other requirements.

Summary of Bill:

An employee who is not exempt from the MWA may otherwise be exempt from state overtime requirements if the employee:

- meets the duties-related criteria to qualify as an executive, administrative, or professional employee;
- works for a nonprofit organization or small business; and

- is paid a predetermined and fixed salary of at least 1.5 times the state minimum wage for a 40-hour workweek.

"Nonprofit organization" means a 501(c)(3), (5), and (6) organization that:

- has no more than 50 full-time equivalent employees at any one physical worksite; or
- delivers essential services, such as child care or shelter programs, and is required to maintain a certain staffing level due to state-mandated staffing ratios; or
- operates a 24 hour/7 day program that requires continuous 24 hour/7 day staffing to meet critical community needs, such as emergency shelters, respite care, group homes, and publicly funded behavioral health services.

"Small business" means any business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, and that has a total of 50 or fewer full-time equivalent employees.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.