Salary vs. Hourly

**The Fair Labor Standards Act** is a federal law governing minimum wage, overtime pay and record- keeping requirements. It also defines the work required for a position to be exempt from overtime entitlement. More information: [University of Arizona Fair Labor Standards Act and Overtime Policy.](https://policy.arizona.edu/employment-human-resources/fair-labor-standards-act-and-overtime-policy)

Salary **(Exempt from Overtime)**

* Must be paid a salary above federal or state defined compensation threshold (Review Salary Level Test below).
* Only record/report their non-worked time (e.g., time off and leaves) as [Exemption Time Reporters.](https://financialservices.arizona.edu/payroll/employees/timesheet/reporter-exception)
* Paid on a salary basis. Exempt from FLSA overtime provisions.

Hourly(**Overtime Eligible)**

* Typically make less than the federal or state defined compensation threshold, but not always (Review Duties Test below).
* Record time worked as [Positive Time Reporters.](https://financialservices.arizona.edu/payroll/employees/timesheet/reporter-positive)
* Entitled to overtime pay for hours worked over their regularly scheduled hours. Hours over 40 per workweek are paid at time and a half.

FLSA Tests

Salaried employees (those exempt from receiving overtime pay) must meet all of the following requirements:

Salary Level Test

* Employees are considered overtime-eligible (hourly) if they earn below the FLSA threshold.
* **Federal Compensation Threshold**:
	+ On July 1, 2024: $844/week | $43,888/year
	+ On Jan 1, 2025: $1,128/week | $58,656/year

Salary Basis Test

* Salaried employees are paid on a salary basis, meaning pay doesn't change from a fixed, predetermined amount regardless of variations in work schedule in a given workweek.

Duties Test

* Certain positions are considered exempt due to the nature of their job duties. These include executives, administrators and other roles requiring specific skills or education.
* Review the University of Arizona [Fair Labor Standards](https://policy.arizona.edu/employment-human-resources/fair-labor-standards-act-and-overtime-policy) [Act and Overtime Policy](https://policy.arizona.edu/employment-human-resources/fair-labor-standards-act-and-overtime-policy) "Exemption Tests" section.

Definitions

Paid Time (Examples)

* Hours worked, paid time off and leave
* Travel between job sites during workday
* Work-related training if it is required and during regular work hours
* Short rest breaks (15 minutes or less)

Unpaid Time (Examples)

* Meal periods: Uninterrupted 30 minutes or more
* Travel Time: Home-to-work travel

Positive Time Reporters

* Hourly (overtime-eligible) employees must report all hours worked in a workweek. Hours cannot be averaged or transferred across workweeks

Exception Reporters

* Salaried (exempt) employees must report only non-worked hours, such as vacation, sick time and other paid and non-paid time off

Regular Hours

* Hours an employee is regularly scheduled in a workweek, based on Full Time Equivalency (FTE)

Workweek

* Begins on Monday at 12:01 a.m. and ends on Sunday at midnight

Overtime

* Hours worked beyond an hourly (overtime eligible) employee's regular hours

Straight Overtime

* When an hourly employee works over their assigned hours but less than 40 hours in a workweek, overtime is paid at their regular rate

Time-and-a-Half Overtime

* When an hourly (overtime eligible) employee works more than 40 hours in a workweek, overtime is paid at 1.5 times the employee's regular rate

Compensatory (Comp) Time

* Compensating employees for overtime hours with time off instead of pay
	+ Comp Time is accrued at either the straight overtime or time-and-a-half overtime rates, depending on the employee's regular hours and number of hours worked in the workweek
	+ When comp time is used, it is paid at the employee's most recent rate of pay
	+ Accrual of comp time above a balance of 120 hours (prorated by FTE) must receive written exception from college/division leadership. The max comp time balance is 240 hours (prorated by FTE)