



NEWS

AMERICANS FOR TAX REFORM

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Labor Department Announces New Rule to Clarify 50-Year-Old Regulations and Increase Overtime Pay for Millions of Workers

New rule modernizes 50-year-old Fair Labor Standards Act (FLSA) regulations regarding “white collar” workers and provides overtime pay for 6.7 million new workers.

WASHINGTON — Today the U.S. Department of Labor announced the final rule to modernize the 50-year-old regulations defining exemptions from the Fair Labor Standards Act (FLSA) for “white-collar” employees.

“Secretary Elaine L. Chao and the DoL have continued to bring the department’s rules into the 21st century while clarifying outdated regulatory language,” said Grover Norquist, President of ATR. **“These changes will stop trial lawyers from bankrupting small business with frivolous lawsuits while getting rich on outdated and confusing regulations.”**

Under the old rules, employees earning only \$155 a week qualify as a white collar employee, not entitled to overtime pay. **Trial lawyers have used the ambiguity of the old regulations to increase litigation against small businesses for unpaid overtime.** In fact, in 2001, for the first time, class action lawsuits filed under the FLSA (79) outnumbered Equal Employment Opportunity (EEO) class action cases (77).

The increased litigation has forced small businesses and entrepreneurs to settle out of court for outrageous fees. Consider the following:

- Starbucks paid \$18 million to settle lawsuits alleging managers and assistant managers were misclassified as exempt from overtime.
- Radio Shack paid \$30 million to settle a class action lawsuit involving store managers.
- Pacific Bell paid \$35 million to settle a lawsuit alleging engineers were misclassified as professionals exempt from overtime.

“These changes will save the United States economy between \$870 million to \$1.5 billion by reducing regulatory red tape and litigation costs for business,” said Norquist. **“These reforms are necessary and long over due.”**

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal and state tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at jcollegio@atr.org.