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January 15, 2025

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Rep. Liz Berry, Chair
Rep. Suzanne Schmidt, Ranking Member
House Labor & Workplace Standards Committee
PO Box 40600
Olympia, WA 98504-0600

RE: **Testimony on HB 1184** - Creating a narrow exemption from overtime provisions for certain nonprofits and small businesses.

Chair Berry and members of the House Labor & Workplace Standards Committee:

Thank you for accepting this written testimony for the record since NFIB was not permitted to testify in person during today's hearing.

[NFIB](http://NFIB.com), the *Voice of Small Business*, is a nonprofit, nonpartisan, member-driven organization that advocates on behalf of America's small and independent business owners—both in Washington, D.C., and in all 50 state capitals.

In Washington state, our typical member has 9 or fewer employees and gross receipts less than \$500,000.

NFIB is pleased to support HB 1184.

Among the most common questions I hear from our member small-business owners is, "What can be done about the overtime salary requirements?"

Under Washington's executive, administrative, and professional (EAP) exemption to the state's minimum wage act, or "[overtime rule](#)," **managerial-level workers must be paid a minimum salary in order to be overtime exempt**. That [threshold increases annually](#), with a slightly slower implementation schedule for smaller employers, those with 50 or fewer employees, through 2028.

That **threshold has doubled since 2020**, from \$35,100 to nearly **\$70,000 today** (\$69,305.60) for small employers, and \$77,968.80 for larger employers.

Very small employers, and many non-profit organizations simply cannot absorb these increases any longer and are being forced to move salaried managers, administrators, and

other technical professionals into hourly positions. Workers tend to see this as a demotion and are upset by the loss of schedule flexibility and earnings consistency. They can no longer set their own hours or rely on their paycheck being the same from pay period to pay period. It is a blow to morale and productivity.

There seems to be a misconception that these supervisory and technical professionals are routinely forced to exceed 40-hour work weeks. We do not believe that to be true. Instead, members employing these professionals tend to have seasonal or other fluctuating scheduling needs. In accounting, agriculture, construction, hospitality, retailing, state government, tourism, to name a few impacted industries, it is entirely common for there to be peak seasons followed by extended periods of work slowdowns. Savvy employers use salaried positions to keep key employees on the payroll year-round, receiving consistent, substantial compensation and benefits without periods of reduced hours, even layoffs, that some hourly workers must endure.

A recent *Intuit QuickBooks Small Business Index [report](#)*, detailed in the Puget Sound Business Journal, helps illustrate why HB 1184 is so necessary.

*Washington's **small businesses** ... having one to nine employees, **shed 3,700 jobs overall last year and 14,600 jobs since 2022**. The job losses may be **prelude to a "problematic" contraction in the state's economy**, (emphasis added).*

This same study shows **average monthly income** for these small businesses **has dropped** nearly \$2,000 (5%) since this time last year, and **more than \$6,000 (12%) per month since its peak in April 2021**.

Meanwhile, **overtime-exempt salaries have increased** a minimum of \$1,580 this year *per qualifying employee*, and **\$2,216 per exempt employee per month since 2021**—a 62% hike.

It is unrealistic to expect a small firm making \$72,000 less in 2024 than 2021, but paying each managerial-level employee almost \$27,000 more to remain viable.

Our state's smallest businesses and non-profits need relief, their managerial-level professional and technical employees deserve income stability and scheduling flexibility. HB 1184 offers just that. Please report the bill out of committee with a "do pass" recommendation.

Respectfully submitted,



Patrick Connor

Washington State Director