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Testimony of Nate Cloutier

Before the Joint Standing Committee on Taxation
March 19, 2025

In Opposition to LD 599, *"An Act to Codify the Federal Salary Threshold for Overtime Pay"*

Senator Tipping, Representative Roeder, and distinguished members of the Joint Standing Committee on Labor, my name is Nate Cloutier, and I am here today on behalf of HospitalityMaine, representing Maine's first-rate restaurant and lodging industries. I am also testifying on behalf of the Maine Tourism Association (MTA). MTA has been promoting Maine and supporting members in every type of tourism business, such as lodging, restaurants, camps, campgrounds, retail, guides, tour operators, amusements, and historical and cultural attractions for over 100 years. HospitalityMaine and the Maine Tourism Association oppose LD 599, *"An Act to Codify the Federal Salary Threshold for Overtime Pay."*

LD 599 would increase the threshold by which a salaried employee would be exempt from overtime to the highest of the following:

1. Three thousand times the State's minimum hourly wage;
2. A salary level of \$58,656 per year;
3. The 35th percentile of weekly earnings for full-time salary workers in the lowest-wage census region as published by the United States Department of Labor, calculated every 3 years thereafter;
and
4. The annualized rate established by the United States Department of Labor under the federal Fair Labor Standards Act

This legislation significantly exceeds the current federal overtime threshold. Maine's existing threshold is \$43,951 (\$845.21 per week) and is already adjusted annually for inflation. Under LD 599, businesses would face a minimum increase of \$14,600 per exempt employee—a 33% jump.

Only five other states set an overtime threshold higher than the federal level. Previous analyses submitted to the U.S. Department of Labor have shown that raising the threshold disproportionately impacts small employers, putting them at a competitive disadvantage compared to larger companies with greater staffing flexibility.

For many small and independently owned restaurants, hotels, and tourism-related businesses, these mandated cost increases would be unsustainable.

While LD 599 is well-intended, it would have unintended consequences, including reduced workplace flexibility, fewer opportunities for promotions and career advancement, limited hiring, reduced employee hours, and higher menu and lodging prices.

Maine's hospitality and tourism businesses operate on razor-thin profit margins—with restaurants averaging between 3-5%. We have already seen dozens of restaurant closures in recent months, with many owners citing rising labor costs as a primary factor.

The hospitality and tourism industries are vital to Maine's economic health, supporting tens of thousands of jobs and attracting visitors who contribute billions to our state's economy. However, this legislation would discourage business investment, force layoffs, and shutter establishments that are already struggling to stay afloat.

For these reasons, we strongly urge the committee to vote Ought Not to Pass on LD 599.

Thank you for your time and consideration. I would be happy to answer any questions you may have.