

Labor & Employment Law

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Federal Judge Blocks the U.S. Department of Labor's Overtime Exempt Salary Increase Rule on a National Scale

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A FEDERAL JUDGE IN TEXAS

recently invalidated the United States Department of Labor's (DOL) rule that raised the minimum salary levels under the Fair Labor Standards Act (FLSA) "white collar" exemptions. This ruling impacts employers and workers throughout the U.S.

The DOL's rule, which took effect on July 1, 2024, raised the minimum salary level threshold for exempt employees under the FLSA white collar exemptions from \$684/week (\$35,568 annually) to \$844/week (\$43,888 annually) under the first phase of increases. This amount was set to increase to \$1,128/week (\$58,656 annually) beginning January 1, 2025, and then automatically increase every three years thereafter.

The rule also raised the minimum compensation threshold for the FLSA's highly compensated employee exemption from \$107,432 to \$132,964 in July. This amount was set to increase to \$151,164 on January 1, 2025.

The court's reasoning was focused on its view that the DOL tried to create some sort of "salary only" test for the white collar salary exemption—thus rendering the actual **job duties** of the worker

meaningless even though the job duties analysis is key to determining exempt status under the FLSA. The court also had issues with the escalation of the salary threshold because future increases would be made automatically versus through administrative rulemaking.

In reaching the decision, the judge ultimately held that the DOL exceeded its authority. The DOL will likely appeal the court's ruling. But, an appeal to the Fifth Circuit, if pursued, is likely to be unsuccessful.

What Does This Mean for Employers?

Now that the DOL's rule has been invalidated, the increases to the minimum salary levels under the FLSA white collar exemptions that took effect in July no longer apply. In other words, the minimum salary levels that were in place prior to July 1, 2024, will now apply again effective immediately.

While the DOL's rule is no longer enforceable, the federal court's decision does not affect any state laws that may already (or may in the future) have higher salary thresholds (e.g., CA, CO, NY, WA). *But, unless a state has a higher*

threshold than the FLSA, the salary level under the white collar exemptions is back to \$35,558 annually or \$684/week. And, the highly compensated employee exemption is now back to the minimum annual compensation threshold of \$107,432.

There is also the possibility that states may take their own independent action in light of the court's decision to increase their state law salary thresholds in response to this decision. Employers need to remain vigilant on staying informed on the ever-changing world of workplace law and regulation. ■

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