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LEGAL UPDATES

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Texas District Court Vacates Department of Labor's 2024 Overtime Rule, Returning to the Salary Thresholds Set in 2019

On November 15, 2024, the U.S. District Court for the Eastern District of Texas vacated the Department of Labor's (DOL) 2024 overtime rule, which significantly raised the salary thresholds for overtime exemptions under the Fair Labor Standards Act (FLSA). This rule, which we previously wrote about, implemented a two-step increase in the standard salary threshold to qualify for an exemption under the FLSA:

July 1, 2024: Increase from \$684 per week (\$35,568 per year) to \$844 per week (\$43,888 per year).

January 1, 2025: Further increase to \$1,128 per week (\$58,656 per year).

The rule also included a new mechanism to automatically increase the salary threshold every three years.

As anticipated, the 2024 rule has faced legal challenges, similar to the challenges against prior DOL rules in 2016 and 2019. Like the 2016 rule, the 2024 rule has officially been struck down. This past Friday, November 15, the court vacated the 2024 rule, setting it aside and preventing it from taking effect.

The court ruled that the DOL exceeded its authority under the FLSA by establishing salary thresholds so high that they effectively replaced the duties test with a "salary-only" standard, violating the statute's requirements. Emphasizing the widespread implications of the 2024 rule, the court noted that the rule "impacts millions of employees in every facet of the economy...and [would] impose billions in costs to employers." The court found

that the increased salary thresholds undermine the FLSA's exemption framework by prioritizing salary levels over the evaluation of employees' job duties. The court also found that by implementing the 2024 rule's automatic salary threshold increase every three years, the DOL effectively abdicated its role of "defining and delimiting" the FLSA's exemptions by regulation. Consequently, the court vacated the 2024 rule in its entirety.

While the court's ruling was significantly similar to the order that struck down the 2016 rule, it is perhaps on even more solid ground given its reference to the Supreme Court's decision from earlier this year that overturned *Chevron* deference. For decades, this principle required courts to defer to "permissible" agency interpretations of statutes they administer, even if the court interpreted the statute differently. The Supreme Court replaced this standard with a preference for judicial interpretation, making it easier for courts to invalidate agency rules and providing employers with a strong tool to challenge regulatory overreach.

What this means to you

The court's order vacating the 2024 rule nationwide restores the previous salary thresholds from 2019. Employers are no longer required to maintain salaries at the now-vacated level of \$43,888 (that had gone into effect in July 2024) or prepare to meet the \$58,656 threshold (which would have been effective in January 2025). Instead, the pre-July 1, 2024 salary thresholds are back in effect: \$35,568 annually (\$684 weekly) for standard exemptions and \$107,432 annually for highly compensated employees.

Employers should review their workforce classifications to ensure exempt employees meet the duties test and are compensated in alignment with, at a minimum, the restored thresholds. Employers should also monitor developments, as the DOL may appeal the court's decision or (more likely) abandon the 2024 rule in favor of new rules. An important consideration for all of this is the upcoming change in administrations. The past provides insight into how the Trump Administration might handle this situation. In 2017, the first Trump Administration effectively abandoned the Obama-era rule and replaced it with a new rule that had a more modest increase to the salary thresholds. The incoming second Trump Administration is likely to do so again.

For now, employers are permitted to roll back the salaries for employees affected by the July 1, 2024 increase, but this could cause employee morale and retention issues. Employers may choose to instead leave the increased salaries in place, while considering those increased salaries when making future compensation decisions. Employers must also keep in mind that many state laws are more protective than federal law, and employers must follow applicable state laws' minimum salary thresholds for exemptions.

As always, we will provide further updates as the situation evolves. In the meantime, employers should remain vigilant and proactive in evaluating their compliance strategies.

Contact us

If you have questions regarding the court's decision striking down the 2024 DOL overtime rule and its impact on employee classification, please contact A.J. Weissler, Scott Meyers, Sarah Hamill, Joanna Rivers, or your Husch Blackwell attorney.