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COURT INVALIDATES FLSA'S OVERTIME SALARY INCREASE

Advisory

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In April 2024, the Department of Labor (DOL) released its final rule that increased the salary threshold for the so-called white collar overtime exemptions from \$35,568 to \$43,888 effective July 1, 2024, and then to \$58,656 effective January 1, 2025. In doing so, the DOL estimated that almost 4 million workers would no longer be exempt from overtime as employers had to choose between: (a) increasing the salaries for many of their exempt workers; and (b) converting those exempt employees who fell below the minimum salary to non-exempt hourly workers.

The State of Texas and several private-sector employers joined forces to challenge the DOL's rule and were victorious last week in convincing the court to strike down the overtime rule on a nationwide basis. In short, the court ruled that the DOL exceeded its authority by raising the minimum salary too much.

Notably, this decision vacated the rule in its entirety, so all upcoming increases and even the July 1st increase that has already occurred have been invalidated. Therefore, the minimum salary for the executive, administrative, or professional (EAP) exemptions returns to \$35,568 annually and the exemption for highly compensated employees returns to \$107,432.

It is unclear whether the Biden Administration will appeal this ruling. However, even if the Biden Administration does appeal, most experts believe that the incoming Trump Administration will abandon the appeal. Notably, after a similar salary increase was stricken near the end of the Obama Administration, the first Trump Administration implemented a smaller increase to the current salary thresholds rather than continue with the appeal of that ruling. Therefore, it is unlikely that the April 2024 salary increases will return.

Hill Ward Henderson will continue to monitor this issue. Please do not hesitate to contact our attorneys if you have any questions relating to these overtime exemptions and what employers should consider doing now that the rule has been invalidated.