

## Texas Federal Court Vacates 2024 FLSA Salary Basis Rule, Reversing Prior July Increase

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Federal District Court Judge Sean Jordan of the Eastern District of Texas today ordered vacatur of the 2024 final rule previously announced by the Department of Labor that saw the first increases to the salary basis requirement in decades. Now, the FLSA salary basis reverts to pre-2024 levels, and the impact on employers, many of whom were already adjusting to the new salary levels, are significant.

As we previously [wrote](#) about and [reminded](#) readers, in April 2024, the Department of Labor issued a final rule (the “2024 Rule”) increasing the standard salary level necessary to qualify for one of the executive, administrative, and professional (“EAP” or “white collar”) exemptions to the FLSA.

The 2024 Rule included three different increases. The first, which already took effect on July 1, 2024, increased the minimum salary basis for an EAP exemption from the former level of \$684/week (\$35,568 annual) to \$844/week (\$43,888 annual). The second planned increase of the 2024 Rule, which was scheduled to take effect on January 1, 2025, would have increased the salary basis from \$844/week to \$1,128/week (\$58,656 annual). The 2024 Rule further specified that the salary basis would increase triennially thereafter based on contemporary earnings data, with the first triennial increase scheduled to take effect on July 1, 2027.

Now, all of those increases have been struck down by the Eastern District of Texas as unlawful. The District Court’s vacatur includes a roll back of the July 1, 2024 increase that had already taken effect nationally, but which is now vacated along with the entirety of the 2024 Rule. This means that there is no longer an increase to the salary basis for the EAP exemptions in 2024, and the salary basis for those exemptions, as of today, reverts to the pre-2024 Rule level of \$684/week (\$35,568 annual).

As part of the vacatur order, the District Court ordered the Department of Labor to go back to the drawing board and reconsider the rule altogether. Explaining today’s decision, the District Court wrote at length about the historical basis and framework for setting a salary threshold, holding that the salary basis was historically intended to be “deliberately low” merely to weed out those who obviously would not meet the duties test for exemption and that the salary basis standard was never intended to replace the duties based portion of the test. The District Court held that the Department of Labor deviated from this historical framework beginning with its 2004 rule and determined that the

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2024 Rule constituted an unlawful agency action, thus resulting in its vacatur.

Employers across the country are now grappling with what to do next. Many employers instituted salary increases when the July 1, 2024 increase went into effect to ensure continuing exemption status for workers. Now, those employers are asking what they should do in light of today's ruling, such as whether to claw back previously granted salary increases or to hit the pause button on future increases until salary levels catch up. Even with today's ruling, making decisions such as clawing back already-granted increases or pausing future increases can be a complex, fraught situation. Thus it is critical that, before taking any action, employers speak with experienced employment counsel. Any action taken as a result of today's order is likely to have significant ramifications for your workforce.

For employers that may now seek to claw back raises given out earlier this year, that action risks negative impacts on employee morale, employee retention, and/or claims of adverse treatment. Conversely, for employers considering leaving salaries at their new post-July 1 levels but ceasing future raises or inflation-based adjustments, this option, too, carries many risks associated with employee morale, retention, and inflation-based hardships on those employees.

It is also important to note that today's order does not, in any way, impact state salary thresholds for any state or local rules similar to the FLSA's EAP salary test, many of which meet or exceed the thresholds required under the 2024 Rule. If you are an employer in a state with a state rule that exceeds the FLSA requirement, you will still be required to meet the state mandated minimum thresholds to continue to qualify for the applicable exemption.

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