

Federal Judge Strikes Down DOL's New Overtime Rule

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Last week, the United States District Court for the Eastern District of Texas vacated and set aside the United States Department of Labor's (DOL) final rule raising the minimum salary threshold for the Fair Labor Standards Act's (FLSA) white-collar overtime exemption.

Recently, we discussed parts of this rule that have already taken effect. Specifically, as of July 1, 2024, the minimum salary threshold for executive, administrative, and professional (EAP) employees was raised from \$684 per week (\$35,558 per year) to \$844 per week (\$43,888 per year), and the salary threshold for the highly compensated employee (HCE) exemption was raised from \$107,432 to \$132,964. The salary thresholds were scheduled to rise again on January 1, 2025, with the EAP exemption salary threshold rising to \$1,128 per week (\$58,656 per year) and the HCE exemption rising to \$151,164 annually.

The court concluded that the rule exceeded the DOL's statutory authority under the FLSA. Previously, the court enjoined enforcement of the rule for the state of Texas as an employer; however, this time, the court struck down the rule as it applies to *all employers nationwide*. The court's ruling also entirely vacated the DOL's rule, meaning the *July 1, 2024, increases are now nullified*. Consequently, the salary thresholds will revert to what they were under the DOL's 2019 rule, with the EAP salary threshold at \$684 per week (\$35,558 annually) and the HCE threshold at \$107,432 annually.

The DOL may appeal the decision to the Fifth Circuit; however, with the incoming administration, it is possible that the DOL will decline to appeal or will repeal the rule entirely. Therefore, manufacturers should operate as though the January 1, 2025, increases will *not* take effect. Manufacturers who adjusted salaries or exemption statuses because of the July 1, 2024, increases should consult with counsel on how to proceed.

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