

Employment Update: Federal Court Strikes Down DOL's Salary Increase for Exempt Employees

On November 15, 2024, a Federal Court in Texas vacated the Department of Labor's ("DOL") final rule that increased the salary threshold for the white-collar exemptions under the Fair Labor Standards Act ("FLSA"). The Texas court ruled that the DOL exceeded its authority and the court struck down the salary increases nationwide.

- The salary increase to \$58,656 that was scheduled to go into effect on January 1, 2025 will not be implemented.
- The Court also struck down the salary increase of \$43,888 which went into effect on July 1, 2024.



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However, most employers had already increased salaries to comply with the new rule as of July 1. Therefore, the salary threshold to be exempt from overtime for the white-collar categories reverts back to \$35,568 per year. To be exempt from overtime, employees must:

- 1) be paid a salary of \$35,568 per year **and**
- 2) perform exempt duties under one of the DOL's white-collar exemption categories.

What Steps Should Your Business Take?

1. **Review Exempt Employees' Job Duties:** Evaluate the actual job duties performed by exempt employees to ensure the duties fall within one of the Department of Labor's white-collar exemption categories. See: <https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime>
2. **Convert Employees to Hourly:** If employees do not perform exempt duties, then convert them to hourly employees, which includes tracking hours worked, paying overtime for hours worked in excess of 40 hours per week and establishing work rules to manage overtime hours.
3. **Review Salaries for Exempt Employees:** Ensure that Exempt Employees are paid a fixed salary of at least \$35,538 that is not subject to deduction based on hours worked.
4. **Consult With Your Employment Law Attorney:** Discuss exempt and non-exempt classification structures with your lawyer to ensure compliance with overtime rules and other applicable employment laws. It may also be a good time to conduct an employment audit and update policies.

Questions

Our Team will continue to monitor the developments with this decision and any further updates from the Department of Labor.

If you have questions you would like to discuss with respect to exemptions or any other employment issue, please contact one of the employment attorneys listed below.

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