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Federal Court Vacates DOL's Final Overtime Rule Nationwide

On Nov. 15, 2024, the U.S. District Court for the Eastern District of Texas [vacated](#) the U.S. Department of Labor's (DOL) [final rule](#) to amend current requirements that employees in white-collar occupations must satisfy to qualify for an overtime exemption under the Fair Labor Standards Act (FLSA). This ruling sets aside the final rule's increases to the standard salary level nationwide, returning the salary threshold to the pre-July 2024 threshold.

Background

The FLSA white-collar exemptions apply to individuals in executive, administrative, professional (EAP), and some outside sales and computer-related occupations. Some highly compensated employees (HCEs) may also qualify for the FLSA white-collar overtime exemption. To qualify for this exemption, white-collar employees must satisfy the standard salary level test, among other criteria. This salary level is a wage threshold that white-collar employees must receive to qualify for the exemption.

2024 Final Rule

On April 23, 2024, the DOL [announced](#) a final rule to amend current requirements employees in white-collar occupations must satisfy to qualify for an FLSA overtime exemption. The final rule increased the standard salary level, starting July 1, 2024, from:

- \$684 to \$844 per week (\$35,568 to \$43,888 per year) for EAPs; and
- \$107,432 to \$132,964 per year for HCEs.

On Jan. 1, 2025, the standard salary level was set to increase again from:

- \$844 to \$1,128 per week (\$43,888 to \$58,656 per year) for EAPs; and
- \$132,964 to \$151,164 per year for HCEs.

The rule also enabled the DOL to update salary levels automatically every three years starting on July 1, 2027.

Court Case and Impact

The District Court held that the DOL exceeded its statutory authority by increasing the standard salary level too high and allowing for automatic adjustments every three years. The court vacated the salary increase that went into effect in July and the increase set for January, as well as the future automatic salary level increases for employers nationwide. As a result of the decision, the standard salary level for EAPs is now \$35,568 and \$107,432 for HCEs. Consequently, employees who lost their exempt classification because of the July 1 salary level increase may potentially qualify again for an exemption.

The DOL may seek to appeal the District Court's ruling; however, if the department appeals the ruling, the incoming Trump administration will likely abandon the appeal. Employers should monitor the situation for updates.

HIGHLIGHTS

- On April 23, 2024, The DOL announced a final rule amending the current requirements white-collar employees must satisfy to qualify for FLSA overtime exemptions.
- On July 1, 2024, The standard salary level for EAPs increased from \$684 to \$844 per week (\$35,568 to \$43,888 per year) and from \$107,432 to \$132,964 per year for HCEs.
- On Nov. 15, 2024, the U.S. District Court for the Eastern District of Texas vacated the DOL's final rule on a nationwide basis, returning the standard salary level for EAPs to \$684 per week (\$35,568 per year) and \$107,432 per year for HCEs.

