

Texas Federal Court Sets Aside 2024 Increase of Federal Salary Thresholds for Overtime Exemptions Nationwide

The U.S. District Court for the Eastern District of Texas issued an order on November 15, 2024, vacating and setting aside the U.S. Department of Labor's recent final regulation ("2024 Final Rule"). The 2024 Final Rule increased the minimum salary threshold for certain "white collar" overtime exemptions under federal law and would have established an automatic procedure to increase the salary thresholds every three years. The Court's decision has nationwide effect in all U.S. jurisdictions. The salary threshold relates to one of two tests used for determining exemption status under the Fair Labor Standards Act, with the other test looking at an employee's duties.

Under the 2024 Final Rule, the salary threshold had already increased as of July 1, 2024, to \$844 per week (\$43,388 annually) and was set to increase the threshold again on January 1, 2025 to \$1,128 per week (\$58,656 annually) for executive, administrative, and professional employees. The 2024 Final Rule similarly provided for increases to the salary threshold for "highly compensated employees." After the Court's decision, the January 2025 increases will not occur, and the July 2024 increases are invalidated retroactively.

While the July 2024 threshold increases were invalidated by the decision, employers who increased employee salaries to comply with the 2024 Final Rule are advised to consult with employment counsel prior to reducing salaries now that the rule has been set aside.

Employers must also consider state law salary requirements—which are not impacted by the Court's decision. Where states have higher salary thresholds than federal law, employers must comply with applicable state law.

Your employment counsel at Bochner PLLC stand ready to assist you in reviewing your pay practices to maintain compliance. Partner/Employment Chair Jeffrey Douglas (jdouglas@bochner.law), Eric Dawson (edawson@bochner.law), and Chloë Brownstein (cbrownstein@bochner.law).