

Legal Alerts

Texas Court Invalidates Federal Rule That Raised Salary Thresholds For Overtime Exemptions

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As we previously reported, the US Department of Labor (DOL) released a final rule in April 2024 that would raise the salary thresholds for overtime exemptions under the Fair Labor Standards Act (FLSA). We explained that most US employees are eligible for overtime after working 40 hours in a week. Certain "white collar" employees are exempt from overtime because they are paid on a salary basis and have duties that qualify them as executive, administrative or professional employees. That salary had to be at least \$684 per week (\$35,568 per year).

The final rule raised the threshold to \$844 per week (\$43,888 per year) on July 1, 2024; would further raise those rates to \$1,128 per week (\$58,656 per year) on January 1, 2025; and would automatically adjust salary minimums every three years thereafter.

Court Halts Final Rule

On November 15, 2024, Judge Sean D. Jordan of the US District Court for the Eastern District of Texas issued a decision in a case brought by the State of Texas and various business groups. The judge found that the DOL exceeded its authority, reasoning that the higher salary thresholds effectively eliminated the requirement that the exempt worker perform the duties of an executive, administrative or professional employee. The court's order invalidated the final rule and ended the case.

As a result, not only did the judge scrap the increased thresholds that were scheduled for January 1, 2025, but the elimination of the final rule also returned the salary threshold to the pre-July 2024 level of \$684 per week (\$35,568 per year).

While the DOL is certain to appeal the ruling, the Trump administration probably will not pursue the appeal. It seems likely, therefore, that the final rule will not be resurrected anytime soon.

Impact of the Ruling

Employers affected by the final rule may have difficult decisions to make, particularly those who raised salaries in July and announced increases for January, or who converted previously exempt employees to nonexempt in light of the final rule. Meanwhile, certain states, such as Washington, Alaska, California, Colorado and New York, have higher minimum compensation thresholds for white collar exemptions under

state or local law, so the court decision is not relevant for employees who work in those states.

We suggest that affected employers consult with experienced employment counsel. Foster Garvey's market-leading [Labor, Employment & Immigration](#) team is prepared to provide guidance and support.

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