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Federal Texas Court Halts the DOL 2024 Overtime Rule

On Friday, November 15, 2024, a Texas federal judge vacated the U.S. Department of Labor's ("DOL") 2024 Rule that raised the minimum salary level necessary to maintain the executive, administrative and professional exemptions ("EAP Exemption") from overtime under the Fair Labor Standards Act ("FLSA"). This means the minimum salary level for an EAP Exemption returns to \$684 per week, and employers who were scrambling either to reclassify or give raises to employees before year end can cancel those plans and simply leave exempt employees' salaries at current levels.

Since 2020 the minimum salary level required for maintaining an EAP Exemption was set at \$684 per week (\$35,568 annually). The DOL's 2024 Rule implemented three, staged changes to the minimum salary level required to maintain the EAP Exemption. First, the 2024 Rule raised the minimum salary level from \$684 per week to \$844 per week (\$43,888 annually) starting on July 1, 2024. Second, the 2024 Rule raised the salary level from \$844 per week to \$1,128 per week (\$58,656 annually) starting on January 1, 2025. Third, the 2024 Rule implemented automatic increases for the salary level every three years starting July 1, 2027, based on earnings data in place at the time of the increase.

The text of the FLSA does not specify a minimum salary level for maintaining the EAP Exemption. The DOL has authority, however, to "define and delimit" the EAP Exemption, and the DOL has exercised that authority in past rulemaking by establishing minimum salary levels that were sufficiently low to serve as a proxy for identifying workers who would not satisfy the duties tests imposed by the FLSA. Numerous legal challenges to salary increases have argued the DOL lacks authority to impose a salary requirement that is divorced from workers' duties.

The Texas federal judge acknowledged the DOL's authority to "define and delimit" the scope of the EAP Exemption includes the ability to impose a salary level. *Mayfield v. U.S. Dep't of Labor*, 117 F.4th 611 (5th Cir. 2024). However, the Court found the increases in minimum salary levels required by the 2024 Rule were so drastic that they displaced the duties test required under the text of the FLSA with a salary test.

The judge explained: “When a third of otherwise exempt employees who the Department acknowledges meet the duties test are nonetheless rendered nonexempt because of an atextual proxy characteristic—the increased salary level—something has gone seriously awry.” The 2024 Rule therefore went beyond “screening out the obviously nonexempt employees” and crossed into basing exempt status on salary alone. The judge found that for “millions of workers,” the 2024 Rule would “‘effectively eliminate’ consideration of whether an employee performs ‘bona fide executive, administrative, or professional capacity’ duties in favor of what amounts to a salary-only test.” The judge’s opinion then vacated the 2024 Rule as to all employers.

While the DOL may appeal the court’s ruling, the Texas district court’s opinion gives a reprieve for employers who were scrambling to implement the 2024 Rule before the January 1, 2025 deadline, which is no longer in effect due to the nationwide injunction. Employers may now opt to leave in place any changes they previously made to comply with the July 1, 2024 salary increase deadline, or they may consider whether to reverse the prior changes. We recommend such decisions be discussed and coordinated with legal counsel in order to evaluate the choices before they are implemented. For assistance with these issues and any other questions about the injunction or the court’s opinion, please contact the [FLSA Litigation and Wage and Hour Defense Group](#) or a member of the firm’s [National Employment Law Group](#). You may also visit us at www.kutakrock.com.

