

Employment Law Updates November 2024

Federal Judge Strikes Down Department of Labor's Salary Threshold Increase on Nationwide Basis

On November 15, 2024, the U.S. District Court for the Eastern District of Texas vacated and set aside the U.S. Department of Labor (DOL)'s final regulation increasing the salary threshold for the "white collar" exemptions under the Fair Labor Standards Act (FLSA) on a nationwide basis.

The salary threshold increase to \$58,656.00 (annually) which was scheduled to take effect January 1, 2025, will not go into effect. The court also struck down the July 1, 2024, increase (\$43,888 annually) that previously went into effect, as well as the provision in the rule that would have increased the salary thresholds every three years going forward.

The Court ruled that the DOL lacked authority to raise the salary threshold to these levels which effectively eliminated the "job duties" test and created a *de facto* "salary only" test for of the Executive, Administrative, and Professional (EAP) exemptions. The Court held that the DOL also overstepped its authority in instituting automatic increases reaffirming that the rulemaking process cannot be circumvented with automatic adjustments.

What's Next?

The scheduled January increase in the salary threshold will not go into effect, the previous July increase is nullified, and the old salary threshold for EAP exemptions remains in effect (\$35,568 annually). The DOL may appeal the court's decision to the Fifth Circuit Court of Appeals, but we anticipate that the incoming presidential administration would likely dismiss that appeal or stay it in order to issue a new rule.

What actions Employers should take now will vary depending on whether the Employer previously adjusted salaries or the exemption status of employees to address the nullified July increase and what actions have been taken in an anticipation of the January increase. Our firm's employment law practice group is available to assist you and will continue to monitor developments from the courts and the DOL's Wage and Hour Division.

EMPLOYMENT Alert

This alert was prepared by Hand Arendall Harrison Sale's Employment and Labor Practice Group. For further information or assistance, please contact the Employment and Labor Group attorney with whom you normally work.

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