

Federal Court Invalidates New Salary Threshold for Overtime Exemption

"On November 15, 2024, the U.S. District Court for the Eastern District of Texas delayed the effective date of the new overtime compensation rules that were previously authorized by the U.S. Department of Labor (DOL). The Court's ruling applies nationwide. The new rules significantly increased the minimum salary threshold needed to be deemed exempt from being paid overtime compensation. Employees who perform executive, professional, or administrative functions may be exempt from being paid overtime compensation. In striking down the new salary thresholds, the Court held that the DOL exceeded its authority under the federal Fair Labor Standards Act because they focused too much on salary levels and not enough on job duties and functions. The January 1, 2025 increase in the salary threshold will not go into effect and the prior July 1, 2024 increase has been invalidated.

It is unknown whether the Biden DOL will appeal this ruling. It remains to be seen whether the Trump DOL will abandon or rewrite the new overtime compensation rules. Please contact the attorneys at Nicola, Gudbranson & Cooper, LLC for further specific guidance about how this may impact you.