

CLIENT ALERT: Federal Court Blocks U.S. Department of Labor Overtime Rule Nationwide

On November 15, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide injunction to block the new U.S. Department of Labor (DOL) overtime rule that would have expanded overtime eligibility for millions of employees. Unlike the limited preliminary injunction issued by the same court on June 28, 2024, this decision applies to all employers throughout the United States. The rule's increased minimum salary thresholds for Fair Labor Standards Act (FLSA) overtime exemptions will no longer be implemented on January 1, 2025, as had been anticipated; the rule's prior salary level increases that had taken effect on July 1, 2024, have also now been vacated.

As a reminder, the DOL released its final rule raising the minimum salary level for an employee to qualify as exempt from the FLSA's overtime requirements (read more about the rule in our [Client Alert](#)) on April 23, 2024. The DOL's new rule boosted the minimum salary level from \$684 per week (\$35,568 annually) to \$844 per week (\$43,888 annually) on July 1, 2024; it was set to then increase that level again to \$1,128 per week (\$58,656 annually) on January 1, 2025. The rule also impacted the highly compensated employee exemption by increasing its total annual compensation requirement from the current level of \$107,432 to \$132,964 on July 1, 2024 with plans to raise it again to \$151,164 on January 1, 2025.

On June 28, 2024, the U.S. District Court for the Eastern District of Texas granted a preliminary injunction to delay the implementation of the DOL's rule, but only with respect to the State of Texas as an employer. Consequently, the first stage of the salary threshold increases went into effect – albeit temporarily – for all other covered employers on July 1, 2024.

According to the court, it expanded its injunction nationwide because: “[t]he [DOL’s rule] impacts millions of employees in every facet of the economy, as well as state and local governments, and will impose billions in costs to employers. And considering the volume and variety of the trade organizations’ members who are entitled to relief, it would be = impractical, if not impossible, to fashion party-tailored relief here.”

Ultimately, the court held that the DOL exceeded its authority in implementing the rule. In particular, it found the DOL had set the salary requirements so high that it effectively overrode the other exemption requirements. The court felt the rule created a predominately salary-level test despite the fact that the law contemplates an employee's duties to be the primary focus for the exemption analysis. The court also blocked the rule's plan to automatically increase the thresholds every three years without satisfying various requirements of the Administrative Procedure Act.

At this juncture, the DOL has the opportunity to appeal the court's ruling. However, the fate of any such appeal may very well hinge upon the approach taken by the new administration after President Trump is sworn into office on January 20, 2025. Unless an appeal is filed and the decision is overturned beforehand, it is very possible that the new administration could abandon the appeal and let the decision stand.

In the meantime, employers will need to consider what steps they may want to take with respect to their current workforces' exemption classifications and salary levels. This includes strategizing about how to address prior salary increases for compliance with the rule's July 1, 2024 mandate, or announcements of future salary increases in anticipation of the January 1, 2025 requirements. While employers cannot recover any increases for work already performed, there are various options available prospectively.

MBJ will continue to monitor these issues for any forthcoming guidance. In the meantime, please

contact your MBJ attorney with any questions you may have regarding these or any of the other legal changes addressed above.

Sean P. O'Connor, a partner at Morgan, Brown & Joy, LLP, authored this client alert. Sean may be reached at (617) 523-6666 or at soconnor@morganbrown.com. Morgan, Brown & Joy, LLP focuses exclusively on representing employers in employment and labor matters.

This alert was prepared on November 18, 2024.

This publication, which may be considered advertising under the ethical rules of certain jurisdictions, should not be construed as legal advice or a legal opinion on any specific facts or circumstances by Morgan, Brown & Joy, LLP and its attorneys. This newsletter is intended for general information purposes only and you should consult an attorney concerning any specific legal questions you may have.