



Court Strikes Down Overtime Rule That Increased Salary Thresholds for Overtime Exemptions

Client Advisories

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By: Douglas Diaz

On November 15, 2024, the United States District Court for the Eastern District of Texas set aside and vacated the United States Department of Labor (DOL) rule that expanded overtime eligibility for employees. The rule had been issued by the DOL earlier this year, increasing the minimum salary levels for an exemption to the overtime requirements. To qualify for what is known as a “white-collar” exemption to overtime, and in addition to other requirements, employers must pay employees a minimum salary. The minimum salary requirement had been \$684 per week, or \$35,568 annually. Pursuant to the first part of the new DOL rule, which had already gone into effect on July 1, 2024, the minimum salary for an overtime exemption increased to \$844 per week, or \$43,888 annually. The minimum salary was set to increase again on January 1, 2025 to \$1,128 per week (\$58,656 annually), meaning that employees who earned less than that amount would be generally entitled to overtime pay if they worked more than forty hours in a week. The court, however, struck down the entire rule and did so on a nationwide basis. Thus, the minimum salary requirement for an overtime exemption is now \$684 per week again (\$35,568 annually).

In setting aside the rule, the court reasoned that the DOL exceeded its authority by increasing the salary thresholds too high, which the court stated in essence created a “salary only” test for overtime exemption eligibility. The increase scheduled for January 2025, for example, would have resulted in a 65% increase from the \$684 per week requirement. This was problematic because the Fair Labor Standards Act (FLSA), which sets forth the white-collar exemptions, provides for a job duties test as well for an overtime exemption, whereby employees must primarily perform certain executive, administrative, or professional duties to qualify for an overtime exemption. The court explained that the DOL increases “effectively eliminate[d]” consideration of this other test. The DOL rule also provided for automatic increases to the minimum salary threshold every three years. The court held that the DOL also lacked this authority because the FLSA requires each increase to occur

via regulation under the Administrative Procedure Act.

Given this court ruling, the DOL increases to the minimum salary requirements are now null and void. However, employers must keep in mind that some states have minimum salary requirements that are greater than the requirement under the FLSA. And while the recent presidential election result may mean that the DOL will not appeal this court decision, it remains to be seen whether the new administration will enact a smaller increase to the minimum salary requirement.

If you have any questions or need more information, please contact **Douglas Diaz** at ddiaz@archerlaw.com or 856-616-2614, or any member of Archer's **Labor and Employment** Group.

Related People



Douglas Diaz

Partner

✉ ddiaz@archerlaw.com

☎ 856.616.2614

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