

# CLIENT ALERTS

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## Texas Federal District Court Strikes Down Salary Threshold Increase, Again

### Client Alert

11.18.2024

Employers worried about reclassifying exempt workers ahead of the January 1, 2025, salary threshold increase have been given a reprieve. The Honorable Sean D. Jordan, a federal judge sitting in the Eastern District of Texas, issued a sweeping opinion on Friday, ordering the 2024 Final Rule of the Department of Labor (DOL) to be set aside. The Final Rule pertained to a distinction familiar to many employers—non-exempt and exempt employees—that was set to push up the salary basis threshold for exempt employees to \$58,656 per year starting on January 1, 2025 (see previous Butzel Client Alert for details). It would have also increased the salary threshold for highly compensated employees to \$151,116 per year and linked the salary threshold to a mechanism that would automatically increase the floor every three years. Previously, in June 2024, Judge Jordan issued a preliminary injunction enjoining the DOL's Final Rule in *State of Texas v United States Department of Labor*, Case 4:24-CV-499-SDJ (E.D. Texas 2024) (see previous Butzel Client Alert for details). That injunction, however, was only limited to the named plaintiff, that of the State of Texas as an employer. The court's recent decision on November 15<sup>th</sup>, however, enjoined the Final Rule from going into effect on a nationwide basis.

Reasoning along similar lines to a 2017 opinion from the Eastern District of Texas striking down another DOL regulation on this very subject, Judge Jordan opined that the 2024 DOL regulation so dramatically increased the salary floor that it effectively rendered parts of the Fair Labor Standards Act (FLSA) meaningless. In particular, the FLSA requires that an employee's exempt or non-exempt status turn on what the employee's duties are and not simply on how much money they make. By increasing the floor by about 60%, the DOL had run roughshod over the spirit of the FLSA, and overstepped its statutory authority, according to the court.

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### **Next Steps for Employers**

Given this is a nationwide injunction, the practical effect of this ruling for employers is far reaching. Not only did the court strike down the increase set to take effect in January 2025 but it also struck down the recent increase in July 2024. This means that the salary thresholds will return to the same levels that were in effect prior to the 2024 Final Rule, that of \$684 per week (\$35,568 annually) for exempt employees and \$107,432 per year (including at least \$684 per week paid on a salary or fee basis) for highly compensated employees. Further, the automatic increases to the exempt salary floor were also stuck down. Although the DOL could appeal this decision, such recourse is unlikely given the change in leadership in the executive branch. It is also unlikely that the DOL will attempt to issue a similar rule in the short term.

For questions regarding how this decision will impact your organization, do not hesitate to reach out to Butzel's premier Labor & Employment group. Our attorneys are accustomed to fielding questions regarding exempt and non-exempt status and will be more than happy to assist you.

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