

THE DOL'S OVERTIME RULE IS STRUCK DOWN – NO MORE SALARY THRESHOLD INCREASES FOR THE NEW YEAR

PUBLICATION, *EMPLOYMENT CLIENT ALERT* - MARC B. CYTRYN, ALEXANDER J. NASSAR, NOVEMBER 19, 2024

On November 15, 2024, a Texas federal court issued a final decision (the "Decision"), vacating and setting aside the Department of Labor's Overtime Rule, released in April 2024, which raised the minimum salary thresholds for certain employees to be classified as exempt under the Fair Labor Standards Act ("FLSA").

Critically, the Decision applies to all employers nationwide, meaning that come January 1, 2025, employers no longer need to increase salaries for their employees to be classified as Executive, Administrative, and Professional Employees ("EAPs") or Highly Compensated Employees ("HCEs") under the FLSA. Instead, the salary thresholds will revert to \$684 per week (\$35,568 annually) for EAPs and \$107,432 annually for HCEs.

Although the Decision also invalidates the salary threshold increases for EAPs and HCEs that previously took effect on July 1, 2024, from a practical and employee relations standpoint, employers are likely to face pushback for taking away raises already given to employees over the summer. If, however, employers would like to go back to how they may have structured pay for new EAPs and HCEs before July 1, 2024, they would be free to do so with the Overtime Rule no longer in effect.

While the Department of Labor may appeal the Decision, it remains to be seen whether the incoming administration will advocate for the Overtime Rule. At the same time, many states have their statutes governing overtime, and some have salary thresholds over the FLSA thresholds. Employers should continue to evaluate whether they are properly classifying employees under state law in addition to the FLSA. Employers should also keep in mind that a number of states require employees to meet certain salary thresholds for them to enter into and be bound by non-competition agreements.

We stand ready to help our clients navigate these important changes. If you have any questions, please contact Alexander J. Nassar and/or Marc B. Cytryn to leverage the experience of Royer Cooper Cohen Braunfeld LLC's Employment Practice Group.

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