

Federal Courts Respond to Challenges to DOL's Salary Threshold Rule

Alert

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On April 23, 2024, the U.S. Department of Labor (DOL) issued a final rule which included a two-step raise of the federal minimum salary requirement for exempt employees under the Fair Labor Standards Act (FLSA). Beginning July 1, 2024, the minimum salary requirement increased from \$684 per week (\$35,568 annually) to \$844 per week (\$43,888 annually). The second raise, which takes place January 1, 2025, further increases the minimum salary requirement to \$1,128 per week (\$58,656 annually). The rule also raised the minimum annual salary threshold for highly compensated employees from \$107,432 to \$132,964 on July 1st and raises it to \$151,164 on January 1, 2025.

The rule sparked two lawsuits that were consolidated in the Eastern District of Texas, *State of Texas v. DOL* (4:24-cv-499) and *Plano Chamber of Commerce, et al. v. DOL* (4:24-cv-468), and one in the Northern District of Texas, *Flint Avenue, LLC v. DOL*, Case No. 5:24-cv-130. On June 28, 2024, the Eastern District of Texas granted a preliminary injunction delaying the implementation of the rule for the State of Texas as an employer. The preliminary injunction does not apply to private employers or any other state as an employer.

In its complaint, the State of Texas argued the DOL exceeded its authority by issuing the rule. The court agreed, holding that the executive, administrative and professional exemptions turn on the function of the employee, not compensation. The court stated: "A Department-invented test, untethered to the text of the FLSA, that systematically deprives employees of the [Executive, Administrative or Professional] EAP Exemption when they otherwise meet the FLSA's duties test, is necessarily unlawful." While limited in scope, the injunction is a temporary setback for the DOL.

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In *Flint Avenue, LLC v. DOL*, the petitioners sought a nationwide injunction to prevent the July 1 date from taking effect, but on July 1, 2024, the Northern District of Texas denied the request. The court held that the summary judgment stage was better suited to address the DOL's authority, which the court plans to rule on before January 1, when the second raise is scheduled to take effect.

Meanwhile, the Fifth Circuit will hear an appeal in *Mayfield v. DOL*, which challenged the DOL's authority to issue a 2019 rule increasing the minimum salary requirements for the FLSA exemptions. There, the Western District of Texas granted summary judgment in the DOL's favor, relying on *Chevron* deference. The Fifth Circuit will hear oral argument on August 7. Notably, the U.S. Supreme Court [recently struck down *Chevron*](#), which may impact how the Fifth Circuit will rule in the *Mayfield* appeal.

Despite these various legal challenges, the DOL increases to the minimum salary threshold requirement have taken effect as of July 1, 2024, and, absent court or other intervention, will be subject to further increase on January 1, 2025.

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