

Federal Court Invalidates the DOL's Final Overtime Rule

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CLIENT ALERT | 11.15.2024

On November 15, 2024, the U.S. District Court for the Eastern District of Texas vacated the Department of Labor's (DOL) final rule raising the salary thresholds for being exempt from overtime under the Fair Labor Standards Act ([new salary thresholds](#)). The ruling applies nationwide and means that employers do not currently need to increase employee salaries in January 2025 to maintain their exempt status. It also vacates the July 1, 2024 increase.

Previously, bona fide executive, administrative, and professional employees were exempt if they were paid a salary of at least \$684 per week (\$35,568 annually). The DOL's final rule increased the threshold to \$844 per week (\$43,888 annually) on July 1, 2024. The threshold was set to further increase to \$1,128 per week (\$58,656 annually) on January 1, 2025.

In a recent related case, the Fifth Circuit Court of Appeals held that, while the DOL may consider salary as an objective measure of employee eligibility for an overtime exemption, the DOL's authority to do so "is not unbounded." Thus, the DOL cannot enact rules "that replace or swallow" the exemptions, which occurs when the DOL sets the salary threshold too high. Relying on this holding, the District Court determined that the DOL's final rule "effectively eliminated" consideration of whether an employee performed exempt duties. Given this, the District Court vacated – in other words, nullified – the final rule.

The DOL may appeal the decision to the Fifth Circuit, so the final rule's fate remains to be seen. However, given the Fifth Circuit's ruling and the District Court's rationale, combined with a new presidential administration taking office in January, the chances of the rule being revived on appeal seem unlikely.

We will report on any developments. In the interim, contact your Vorys lawyer if you have questions about overtime exemptions and the DOL final rule.