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Salary Minimum for Overtime Exemption Unenforceable

11/22/24

On November 15, 2024, a federal court in Texas ruled that the Department of Labor had overstepped its authority when, in July, it increased the minimum salary for exempt employees. The July 1, 2024 increase to \$844 per week (\$43,888 annually) is void and the additional increase to \$1,128 per week (\$58,656 annually) that would have taken effect on January 1, 2025, is void. Finally, the automatic increases that were scheduled to occur every three years will not occur.

As a result, the minimums have reverted to pre July 1, 2024 numbers/thresholds. Therefore, most executive, administrative, and professional employees need to be paid at least \$684 per week (\$35,568 annually). Employees classified under the highly compensated employee exemption need to be paid at least \$107,432 per year, (as opposed to July 1, 2024 increase to \$132,964 and the scheduled January 1, 2025 increase to \$151,164).

Takeaway: As a result of the decision, employers can, **prospectively**, roll back changes they made to comply with the rule in July and stop any plans they had for the second increase in January. Notwithstanding the ruling, **an employer cannot retroactively reduce pay or change an employee's classification. An employer should advise employees** of any changes to their compensation or classification **before the change(s) take effect**. If you have questions about this please contact any member of the [Employment Team](#).

Attorney

- Tracy Armstrong

Practice

- Employment Law