Employment Alert

DOL Rule Invalidated Regarding Salary Thresholds for "White Collar Exemptions"

November 2024

Earlier this year, the U.S. Department of Labor ("DOL") implemented a rule increasing the salary thresholds for the so-called "white collar exemptions" to the Fair Labor Standards Act. On November 15, 2024, a federal district court in Texas vacated the rule nationwide, finding that the DOL had exceeded its authority in promulgating these increases.

In its decision, the court reasoned that the new salary thresholds were so high that they effectively displaced the "duties" component of the exemption tests, which evaluate whether the employee is performing duties sufficient to exempt them from overtime. The court further held that the DOL was not authorized to implement automatic increases to the salary threshold.

The nationwide invalidation of the rule means that the annual salary threshold in effect prior to July 1 of this year - $35,568 – is once again in effect for executive, administrative, and professional employees, as is the prior threshold of $107,432 for "highly compensated employees."

The ruling impacts employers' decisions and steps to be taken concerning salaries previously adjusted to comply with the now invalidated rule and future pay practices for existing and newly hired employees. Employers preparing to adjust salaries in advance of January 1, 2025 may wish to revisit those increases. Employers who adjusted the salaries or exemption status of employees in compliance with the now-nullified July 1, 2024 rule should consult with counsel before rolling back those adjustments.

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The DOL may appeal the court's ruling, but it is unlikely that the incoming presidential administration will choose to pursue the appeal. We will continue to keep you apprised of any further developments on this issue.

CONTACT

To discuss the effects of this ruling or anything related to Massachusetts employment laws, please contact a member of our Employment Law Practice.

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