

## ALERT

### *Court Shuts Down New Overtime Rules*

Employers have been in a state of partial limbo since this spring when the United States Department of Labor (“DOL”) issued regulations increasing the minimum salary requirement for the executive, administrative, and professional exemptions to overtime pay (otherwise known as the “EAP exemptions” or the so-called “white collar exemptions”). As of Friday, November 15, 2024, the matter has been resolved in favor of employers nationwide.

At the time of the new regulations this past spring, the minimum salary requirement for the EAP exemptions was \$684 per week and had been at that level since 2019. The regulations provided three updates to the minimum salary requirements – an increase to a minimum weekly salary of \$844 effective July 1, 2024, an increase to a minimum weekly salary of \$1,128 effective January 1, 2025, and automatic increases every three years beginning July 1, 2027.

The State of Texas, various trade associations, and a few private businesses sued the Department of Labor in the U.S. District Court for the Eastern District of Texas – Sherman Division. The court issued a preliminary injunction temporarily halting implementation of the rule but due to relevant U.S. Supreme Court precedent, the preliminary injunction only applied to the parties that sued and not to any other entities or states.

After the parties to the case filed cross motions for summary judgment and the court held a hearing, the court issued a ruling in which it found that the DOL exceeded its statutory authority in setting the new minimum salary requirements for the EAP exemptions. In doing so, the Court set aside and vacated the new DOL regulations, including the July 1, 2024 increase that has already gone into effect. The ruling applies nationwide to all businesses. Thus, as of November 15, 2024, the minimum salary requirement for the EAP exemptions has returned to \$684 per week.

There are a few interesting notes in this decision for legal observers – and also a sign of what may be coming with respect to a host of regulations and rules. First, while the court acknowledged the *Mayfield v. DOL* decision earlier this year out of the U.S. Court of Appeals for the 5th Circuit (in which the 5th Circuit held that the DOL had the authority to set minimum salary requirements for the EAP exemptions), the court in this case held that *Mayfield* set limits on what the DOL could do with minimum salary requirements and that the DOL exceeded those limits in this case.

Second, the court in this case utilized its new power under the *Loper Bright Enterprises v. Raimondo* decision out of the U.S. Supreme Court a few months ago. In the *Loper Bright Enterprises* case, the U.S. Supreme Court eliminated the agency deference created by the 1984 *Chevron* decision out of the U.S. Supreme Court and instead held that in reviewing agency action, a court must exercise its independent judgment. In this case, the Eastern District of Texas court held that in exercising its independent judgment, it found that the DOL exceeded its statutory authority in enacting the new minimum salary requirements for the EAP exemptions. It is highly

likely that courts in the coming months and years will utilize the *Loper Bright Enterprises* case to invalidate various government agencies' actions. This could result in significant changes for employers, so stay tuned.

For now, the bottom line is that the DOL's new rules regarding the minimum salary requirements for the EAP overtimes exemptions are gone and the rules have returned to their previous level. To be exempt from overtime under the executive, administrative, and professional exemptions, in addition to the requirements of the respective job duties tests, an employee must earn a minimum salary of \$684 per week.

For those employers that increased salaries to comply with the July 1, 2024 increase, you are free to return those salaries to their July 1, 2024 levels. You may wish to keep the salaries at their new levels for a host of reasons, not least of which is employee morale, but you are able to reduce them if you wish and remain in compliance with the exemption rules.

As always, we will keep you informed on any changes affecting the workplace, and you can always reach out to us with any questions you may have or assistance you may need.