

# 2024 FLSA Overtime Rule Struck Down Nationwide



December 2024

Everything's bigger in Texas, even the impact of the state's legal challenge to federal overtime rules. On November 15, 2024, the U.S. District Court for the Eastern District of Texas struck down the U.S. Department of Labor's (DOL's) [Final Rule on Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees](#) (the "Overtime Rule").

CAPLAW detailed changes resulting from the Overtime Rule and recent history surrounding it in a [May 2024 article](#). In brief, the Overtime Rule amended the rules implementing the Fair Labor Standards Act (FLSA) by: (i) as of July 1, 2024, raising the salary level used to determine if certain executive, administrative, and professional (EAP) employees are exempt from receiving overtime pay from \$684/week to \$844/week; (ii) on January 1, 2025, revising the methodology used to determine the salary level and raising it again to \$1,128/week; and (iii) establishing, as of July 1, 2024, automatic updates to the salary level every 3 years.

In striking down the Overtime Rule nationwide, the court in *State of Texas v. U.S. Department of Labor* ruled that the DOL exceeded its authority by, among other things, setting the new salary thresholds so high that the DOL effectively replaced the job duties portion of the EAP exemption test. As a result of the Texas ruling, the federal rules related to exemption from the overtime requirements of the FLSA revert to those in effect prior to July 1, 2024. This puts the salary level for the EAP exemption test back at \$684/week and means that employees who did not earn enough to satisfy the test under the Overtime Rule (\$844/week) may once again be eligible for exemption. This also means that the methodology used to determine salary level increases will not be revised, and automatic increases will not occur.

The incoming Trump administration will dictate the DOL's next steps and is not likely to save the Overtime Rule. Although the DOL appealed the court's ruling on November 26, the Trump administration takes over on January 20, 2025, and is unlikely to continue the fight to reinstate the Overtime Rule and its higher salary levels. A similar situation occurred at the start of the first Trump administration, when a federal court struck down an Obama-era rule that raised the salary threshold. While the DOL appealed that ruling prior to the administration change, the Trump-led DOL eventually abandoned the appeal and instead issued a rule of its own that set the EAP exemption salary level at \$684/week. Even if the Biden administration appeal results in a resurrection of the Overtime Rule prior to January 20, 2025, the Trump administration could take regulatory action to rescind the Overtime Rule or publish a new salary threshold of its own.

CAAs may now wish to revisit changes made in response to the Overtime Rule, including reclassifying employees as exempt who were made non-exempt due to the higher salary threshold or reducing employee salaries that were raised to maintain their exemption. CAAs should carefully consider the implications of rolling back any changes that were made (see [CAPLAW's Overview of FLSA Principles](#)).



For example, state laws may require a CAA to take certain steps before adjusting salaries downward. Any actions taken should also factor in the impact on employee morale and the uncertainty that persists in light of the recent appeal and upcoming administration change. If a CAA wishes to proceed with reinstating classifications and salaries, it should communicate clearly with employees about the changes and do so in consultation with local counsel. CAPLAW will continue to monitor developments related to the Overtime Rule and update the network accordingly.

*This resource was developed by Community Action Program Legal Services, Inc. ("CAPLAW") in the performance of an award from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS), Award Number 90ET0505-02. Any opinion, findings, and conclusions, or recommendations expressed in these materials are those of the author(s) and do not necessarily reflect the views of, nor the endorsement by, OCS/ACF/HHS or the U.S. Government. For more information, please visit the ACF website, Administrative and National Policy Requirements.*

*The contents of this resource are intended to convey general information only and do not constitute legal advice. Any communication through this resource or through CAPLAW's website does not constitute or create an attorney-client relationship. If you need legal advice, please contact CAPLAW or another attorney directly.*