

INEDA | SERVING AG, CONSTRUCTION AND OUTDOOR POWER
EQUIPMENT DEALERS ACROSS IOWA AND NEBRASKA

regulatory ALERT

DOL Issues New Rules Defining Overtime Exemptions

ISSUE

JULY 1, 2024 – On April 23, 2024, the U.S. Department of Labor (DOL) published a [final rule](#) that raises the minimum annual salary threshold to classify an employee as exempt from overtime rules under the Fair Labor Standards Act (FLSA).

	Current	Starting July 1, 2024	Starting July 1, 2025
Minimum Annual Exempt Salary	\$35,568	\$43,888	\$58,656
Highly Compensated Employee Salary	\$107,432	\$132,964	\$151,154

What's the new rule do: The new rule's dramatic increase in salary thresholds will require companies to reclassify some exempt employees and non-exempt and require justification for classifying some employees as non-exempt.

DETAILS

- **Salary threshold:** Under FLSA, a worker may be exempt from overtime pay if paid on a salary basis over the minimum annual salary threshold and qualifies as an executive, administrative, professional, computer, or outside sales employee (commonly referred to as "EAP" exemptions), defined [here](#). After January 1, 2025, all employees with a salary under \$58,656 per year must be reclassified as non-exempt, and therefore receive overtime pay.
- **Highly compensated employees:** Highly compensated employees performing office or non-manual duties are not subject to the EAP test but are exempt from the FLSA overtime rules if they regularly perform at least one of the duties of an EAP. After January 1, 2025, all employees earning between \$58,656 and \$151,154 must qualify under all the factors defining an EAP employee.
- **Incentive payments:** Employers may use nondiscretionary bonuses and incentive payments (including commissions) that are paid on an annual or more frequent basis to satisfy up to 10% of the standard salary level.

WHAT'S NEXT

The new rule has been [challenged](#) in court and injunctive relief has been to one employer in Texas (the government of Texas). In 2016, a federal court stayed President Obama's attempt to dramatically increase salary thresholds and ultimately struck it down.

ACTION

INEDA and Associated Equipment Distributors (AED) have a formal agreement to collaborate on federal advocacy efforts. Together we are advancing dealer interests in Washington, D.C.

AED filed [comments](#) on the proposed rule as part of the Partnership to Protect Workplace Opportunity (PPWO) and urged the Department of Labor to delay implementation to allow for judicial review in a PPWO [letter](#).

While AED is hopeful the courts will strike down the new overtime rule, employers should plan to comply with the mandate. If you have specific questions about the rule and its application to your company, please contact your attorney for further guidance.

UPDATE

AUGUST 9, 2024 – As of July 1, 2024, the U.S. Department of Labor (DOL) instituted a significant change affecting the Fair Labor Standards Act's (FLSA) overtime rules (see attached alert on the issue). The new overtime rule increases the minimum salary threshold for employees to qualify for the white-collar exemption from overtime pay requirements.

This issue has been around since the Obama administration and AED has been active for many years on it. Business groups, including AED, contend that the increased threshold will significantly raise payroll costs and lead to job cuts. AED filed [comments](#) on the proposed rule as part of the Partnership to Protect Workplace Opportunity (PPWO) and urged the Department of Labor to delay implementation to allow for judicial review in a PPWO [letter](#).

The Texas sued the DOL and, in June, filed for a preliminary injunction against the rule, arguing that it would cause irreparable harm by increasing state payroll expenses and straining budgets. On June 28, 2024, a federal judge in Texas granted a preliminary injunction, halting the rule's implementation and enforcement against the state of Texas as an employer. Private sector employers and other states still remain subject to the new rule.

On August 1, 2024, an amicus brief supporting Texas's arguments (attached) was submitted by the attorney general of the state of Arkansas, which was joined by the attorneys general from: Alabama, Georgia, Idaho, Indiana, Iowa, Louisiana, Mississippi, Montana, Nebraska, Ohio, Oklahoma, South Carolina, and West Virginia.

The impact of these proceedings and the arguments being made in court could affect the remainder of the implementation of the rule on January 1, 2025.

We'll keep you apprised as the litigation progresses through court. Of course, the outcome of the race for the White House will also have a major impact on the rule's fate.