



Federal Court Invalidates Federal Overtime Rule

UPDATE

NOVEMBER 15, 2024 – The U.S. District Court for the Eastern District of Texas just issued its [ruling invalidating the entirety of DOL’s overtime final rule](#). In his ruling, Judge Jordan stated that while DOL has the authority to define and delimit the terms of the overtime exemption, “that authority ‘is not unbounded.’” He explained, “the minimum salary level imposed by the 2024 Rule ‘effectively eliminates’ consideration of whether an employee performs ‘bona fide executive, administrative, or professional capacity’ duties in favor of what amounts to a salary-only test.” He also said that the Department’s automatic updates to the minimum salary threshold every three years “violates the notice-and-comment rulemaking requirements of the [Administrative Procedure Act].”

In light of this decision, the minimum salary threshold is once again set to \$35,568, and the threshold for highly compensated employees is set to \$107,432 (current law).

DOL may appeal the decision to the 5th Circuit, but DOL under the new administration will almost assuredly abandon its defense of the rule. Over the next four years, it may choose to issue its own rulemaking to update the threshold.

If you have questions or concerns, please contact INEDA using the information below:

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ORIGINAL RULING

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.

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