



Increased Salary Thresholds for Exempt Workers Blocked by Federal Court

A federal judge ruled on Friday, November 15, 2024, that the U.S. Department of Labor's (DOL) rule increasing the annual salary threshold from \$35,568 to \$43,880 for certain exempt employees on July 1, 2024, is unlawful. The same court ruling blocks the second increase to \$58,656 from going into effect on January 1, 2025. As a result, the minimum salary for employees whose duties qualify them for executive, administrative, or professional exemptions from overtime under the Fair Labor Standards Act (FLSA) reverts to the 2019 threshold of \$35,568 per year (\$684/week).

Similarly, Friday's ruling strikes down the increases in the salary threshold for employees qualifying for the "highly compensated executive" exemption. Under the 2024 rule, that threshold had increased from \$107,732 to \$132,964 per year on July 1, 2024, and was to increase again on January 1, 2025, to \$151,154 per year.

While the DOL may appeal Friday's court decision, which was issued by a Trump-appointed judge, Sean D. Jordan, it is unlikely that the Fifth Circuit Court of Appeals will decide that appeal before President Trump takes office on January 20, 2025. The DOL is less likely to pursue an appeal once the presidential transition occurs. Further, the Trump Administration may repeal the increased salary rule issued under the Biden Administration in any event.

In his decision, Judge Jordan ruled that the DOL exceeded its authority, and that the department's 2024 rule increasing the annual salary thresholds is an unlawful exercise of agency power. Judge Jordan reasoned that the rule impermissibly causes salary to predominate over job duties for the millions of employees nationwide rendered nonexempt by such large increases to the salary threshold.

Most employers that already increased employees' salaries to meet the July 1 minimum of \$43,880 are unlikely to roll those increases back, but this judicial ruling vacating the pending minimum increase effective January 1 may cause employers to modify plans for further increases in the coming year.

We also expect some employers who re-classified employees to hourly roles to avoid significant pay increases may consider reverting those employees back to salaried exempt positions, which will be permissible so long as those employees' job responsibilities meet the applicable exemptions' duties tests, and as long as the November 15 court decision withstands scrutiny on appeal.

The November 15 decision will have less impact in states and municipalities that already have minimum salary thresholds that are higher than the federal minimums for certain categories of employees. Such states include Alaska, California, Colorado, New York, and Washington.

Key Takeaways

- A federal court vacated the DOL's 2024 rule increasing the minimum salary for employees qualifying for the executive, administrative, professional, and highly compensated employee exemptions.
- As of November 15, 2024, the minimum salary for the executive, administrative, and professional exemptions reverts under federal law to \$35,568 per year, or \$684 per week. The minimum salary for the highly compensated employee exemption reverts back to \$107,432 per year. These reduced minimum salary thresholds will remain in place unless a federal appellate court reverses the November 15 court ruling. If that occurs, we expect the DOL will publish guidance on new effective dates under a reinstated rule.

This blog was drafted by [Randi J. Winter](#), an attorney in the Minneapolis, Minnesota office of Spencer Fane. For more information, visit www.spencerfane.com.

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