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Federal Judge Blocks U.S. Department of Labor's New Overtime Rule in Texas



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A federal judge in Texas granted a preliminary injunction on June 28, 2024, barring the July 1, 2024, effect of a new U.S. Department of Labor (DOL) overtime regulation for employees of the State of Texas that would have increased the salary threshold for automatic overtime eligibility under the Fair Labor Standards Act (FLSA).

The new rule, which went into effect nationwide on July 1, 2024, would see the salary threshold for automatic overtime eligibility increase from \$32,568 to \$43,888 on July 1, 2024, and rise to \$58,656 on January 1, 2025. Qualified salaried employees at or above the threshold will be exempt from overtime under the FLSA.

The increase in the salary threshold would enable "white-collar" workers to earn overtime pay where they traditionally would have been exempt. Job duties will continue to determine overtime exemption status for most salaried employees. If employees are paid less or do not meet the duties tests, they must be paid 1.5 times their regular hourly rate for hours worked past 40 in a workweek.

The new DOL rule would also see an increase in the total annual compensation requirement for highly compensated employees (HCEs) who are not entitled to overtime pay under the FLSA. Highly compensated employees were previously classified as those who make \$107,432 and above, but on July 1, 2024, the threshold was increased to \$132,964, raising to \$151,164 on January 1, 2025.

Starting July 1, 2027, the earnings threshold will be updated by the DOL every three years to keep pace with changes in worker salaries. Employees performing office or nonmanual work who meet the total annual compensation requirement for HCEs and are paid on a salary basis will be except from the FLSA if they customarily and regularly perform one or more duties of an exempt executive or administrative employee.

The federal district court in Texas ruled that because the new overtime rule is "likely unlawful," Texas is "likely to succeed on the merits" and thus the preliminary injunction was granted. The State of Texas brought this action against the U.S. Department of Labor, challenging the entire overtime rule and seeking a preliminary injunction to prevent the implementation of the DOL's rule in Texas. The district court's granting of the preliminary injunction prevented the DOL's overtime rule in its entirety from going into effect on July 1, 2024.

It remains to be seen whether other states will follow Texas in challenging the new overtime rule. Stay tuned for further developments in this extremely important area of employment law and do not hesitate to contact any of the [Human Resources and Employment Law](#) attorneys at Gould & Ratner to review the specifics of your situation.