Navigating Overtime Regulations: Plaintiffs Challenge Department of Labor's New Overtime Rule

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On May 21, 2024, a significant event unfolded in the legal landscape as several plaintiffs filed a lawsuit challenging the Department of Labor's (DOL) new overtime rule. This rule, which raises the salary threshold for professional and highly compensated employee exemptions, is scheduled to take effect on July 1, 2024.

The rule, in essence, stipulates that a worker can only be exempt from overtime under the professional or highly compensated exemptions if they are paid at least $43,888 annually. For a highly compensated employee, the threshold is set at$132,964. These thresholds are set to increase over three years, beginning in January 2025.

The lawsuit was filed in the Eastern District of Texas, the same court where plaintiffs successfully challenged the Obama-era overtime rule in 2016. That rule sought to raise the salary threshold for executive, administrative, and professional exemptions to $47,476.

Plaintiffs argue that this rule's "new salary threshold is so high that it is no longer a plausible proxy for delimiting which jobs fall within the statutory terms 'executive,' 'administrative,' or 'professional." It also maintains that the DOL's planned three-year automatic increase to the salary is illegal.

Moreover, the Trump-era overtime rule is currently under review by the Fifth Circuit Court of Appeals. If the Court of Appeals finds in the plaintiffs' favor, the 2024 DOL rule would also be overturned.

Businesses should still assume that the new rule will go into effect on July 1, 2024. There is no telling whether either court will decide these lawsuits before that date. If you have any questions, please do not hesitate to contact me.