



## Reversal of Overtime Eligibility Rules

On November 15, 2024, a Federal judge in Texas permanently blocked the Biden administration's recently implemented overtime rule reversing the Department of Labor's (DOL) regulation, effective July 2024 which aimed to increase the salary threshold for overtime exemption for non-exempt employees. The Texas Judge ruled that the DOL overstepped its authority under the Fair Labor Standards Act (FLSA) by prioritizing compensation over job duties in determining overtime eligibility.

The ruling reverses the increased salary threshold nationwide, effectively restoring the previous \$35,568 level established in 2019. Employers should review their policies to ensure compliance with the reinstated rule.

### Key points on the Federal court decision

#### 1. Background on the Rule

The blocked overtime rule sought to expand eligibility to more salaried workers, raising the salary threshold to approximately \$55,000 annually. It also introduced mechanisms for automatic updates every three years.

#### 2. Court's Rationale

The Judge's ruling emphasized that the FLSA defines overtime exemption based primarily on job responsibilities, not salary level. The decision is based on the "duties test" to determine whether an employee is considered exempt or non-exempt from overtime.

#### 3. Implications for Employers

Employers must now revert to the previous \$35,568 threshold for overtime exemption. This adjustment could impact salaried employees who recently became eligible for overtime pay under the blocked rule.

### What Employers should do now

To ensure compliance with the restored overtime threshold, it is recommended that employers consider the following actions:

- **Audit Employee Classifications:** Identifying employees earning between \$35,568 and the blocked rule's threshold to determine if overtime eligibility needs adjustment.
- **Update Payroll Systems:** Reconfigure payroll operations to align with the reinstated 2019 threshold.
- **Communicate with Employees:** Clearly inform affected workers of any changes to their overtime eligibility.
- **Monitor Legal Developments:** Stay informed on potential appeals or new DOL proposals.

### Looking ahead

NECA will continue monitoring developments related to the overtime rule and provide updates as they become available. Employers should consult legal counsel to address any unique challenges resulting from this ruling.

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