

Employers Take Note: The DOL’s New “Final Rule” Significantly Raises Salary Thresholds for Certain Exempt Employees

On April 23, 2024, the U.S. Department of Labor released a final rule raising the salary thresholds to qualify for certain overtime exemptions under the Fair Labor Standards Act (“FLSA”). These changes are the first updates to the overtime exemption salary thresholds since 2019. Unless employers increase exempt employee salaries, this will increase the number of non-exempt employees, resulting in an increase in the amount of overtime employers will be required to pay under the FLSA. A link to the final rule can be found here:

<https://www.dol.gov/sites/dolgov/files/WHD/flsa/ot-541-final-rule.pdf>

The following is a summary of three key takeaways from the rule:

- **White Collar Employees:** Significantly, the final rule markedly raises the minimum salary threshold for certain “white collar” employees—executives, professionals, and administrative personnel. The new salary threshold will take effect in two steps:
 - 1) On **July 1, 2024**, the rule will raise the salary threshold to \$844 per week (\$43,888 per year) – a 23% increase over the current threshold of \$684 per week (\$35,568 per year).
 - 2) On **January 1, 2025**, the rule will raise the salary threshold to \$1,128 per week (\$58,656 per year) – a 64.9% increase over the current level.
- **Highly Compensated Employees:** In addition to the threshold increases for white collar employees, the rule will also raise the annualized salary threshold for the exemption for “highly compensated employees” (HCE’s). The HCE increase will similarly take effect in two stages:
 - 1) On **July 1, 2024**, the salary threshold will rise from \$107,432 to \$132,964 per year (a 23% increase).
 - 2) On **January 1, 2025**, it will rise to \$151,164 (a 41% increase from current levels).
- **Further Adjustments Every Three Years:** Lastly, the final rule provides that the minimum thresholds for both certain white collar employees and HCE’s will update every three years based on updated wage data. As a result, thresholds should periodically increase absent a significant downturn in the economy.

This “final” rule is unlikely to be the last word. In fact, it relies on a methodology similar to a 2016 rule that the Fifth Circuit invalidated in 2018. Thus, the DOL is likely to be challenged again through litigation. In the interim, however, employers should evaluate their classifications, job positions, and salaries for currently exempt employees to determine what steps may be needed to comply with the new overtime rule if and when it takes effect.

ABOUT WICK PHILLIPS

Wick Phillips is a full-service business law firm serving clients across Texas and the United States. Founded in 2004, the firm has grown to nearly 90 attorneys, specializing in all areas of business law—complex commercial litigation and appeals, corporate transactions, labor and employment, real estate, intellectual property, bankruptcy, insurance coverage, tax, and securities—with offices in Austin, Dallas and Fort Worth.

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