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Judge's ruling blocks and bans minimum salary threshold for OT pay

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A Texas federal court has permanently blocked a final rule from the U.S. Department of Labor that had raised the minimum salary threshold to receive mandatory overtime pay through the Fair Labor Standards Act.

The minimum salary threshold is for employees classified as exempt under the executive, administrative, or professional exemption. If the employee makes less than the minimum salary threshold, they are qualified for mandatory overtime pay when they work more than 40 hours per week.

U.S. District Judge Sean Jordan ruled that the DOL lacked the authority to implement a "salary-only test" to determine who can receive automatic overtime pay.

In April, the DOL passed the rule, raising the minimum salary threshold from $35,568 to $43,888 annually, effective July 1. On Jan. 1, the minimum would have jumped to $58,656 annually, with automatic increases starting in 2027.

The rise in the minimum salary threshold would have affected about 4 million workers across the country, qualifying them for mandatory overtime pay when they work more than 40 hours per week. Businesses and business groups throughout the United States filed suit against the DOL.

However, with the recent decision, that will no longer happen, and the minimum salary threshold for mandatory overtime benefits goes back to $35,568 per year.

The Biden administration pushed the increase in the minimum salary threshold, so when the new administration takes over in January, there likely won't be any movement on this. The threshold will remain at $35,568 in annual salary.

The International Franchise Association, which was one of the groups suing the DOL to have the rule overturned, applauded the decision rendered on Friday,

"Small businesses can breathe a sigh of relief that this unworkable rule has been overturned," IFA Chief Advocacy Officer Michael Layman said in a news release. "The rule would have forced employers to reduce hours, demote many salaried workers to hourly, and cut jobs to manage costs. Research shows that franchised businesses already pay higher wages, and today's ruling will empower more franchises to grow without the threat of another unworkable government mandate."

If you have any questions about the recent ruling or overtime pay rules in general, please contact me or any member of the Saxton & Stump Labor and Employment Group.

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