

Texas Judge Invalidates DOL's Overtime Rule

Many employers breathed a huge sigh of relief yesterday when a Texas federal judge struck down the Obama administration's attempt to more than double the salary threshold required to qualify for the Fair Labor Standards Act's white collar exemption, from \$23,660 to nearly \$48,000 per year. Had this law gone into effect, an estimated 4 million additional workers would have become overtime eligible.

The Texas judge determined that the proposed amount of \$47,476 per year would negate the congressionally approved tests to determine whether an employee qualifies for an exemption. The judge held that the "significant increase" in salary would significantly dilute the importance of the employee's duties, functions or tasks when determining whether the employee qualifies for an overtime exemption. Based on the Department of Labor's estimate, an additional 4.2 million workers would have become overtime eligible if this law went into effect—without any change to their job duties.

Had this law been validated, it would have forced employers to make a very difficult—and potentially costly—decision. Companies would have had to decide whether to increase the annual salaries for their now non-exempt employees, or start paying those same workers overtime rates for all hours worked in excess of 40 per week (or in accordance with various states' daily overtime rates). Notwithstanding that the final rule—which was **never implemented**—has been invalidated, employers still are advised to ensure that their employees are properly classified to avoid potential exposure for unpaid overtime and similar claims. However, this ruling alleviates the need for large-scale reclassification or salary adjustments to maintain existing exemptions.

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