

Client Alert

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Federal Judge Invalidates Obama-Era Department of Labor Overtime Rule

On [August 31, 2017](#), a federal district court judge in Texas struck down the Department of Labor's Obama-era controversial 2016 rule that raised the minimum salary threshold required to qualify for the Fair Labor Standards Act's "white collar" exemption. Under the proposed regulations, the minimum salary threshold was raised to just over \$47,000 per year, and increased the overtime eligibility threshold for highly compensated workers from \$100,000 to about \$134,000. Ruling in favor of the Plano Chamber of Commerce and various business groups on their motion for summary judgment, Judge Mazzant of the Eastern District of Texas, Sherman Division, held that the Department of Labor had "exceeded its authority and gone too far" with the rule. Noting that the new rule "more than double[d]" the previous salary threshold—from \$455 per week (\$23,660 annually) to \$913 per week (\$47,476 annually)—the court determined that the rule improperly made "salary rather than an employee's duties determinative of whether a 'bona fide executive, administrative, or professional capacity' employee should be exempt from overtime pay."

Judge Mazzant pointed out that the Department of Labor estimated that 4.2 million workers currently ineligible for overtime under the previous rule, and who fall below the previous minimum salary level, would automatically become eligible under the new rule without any change to their job duties. Judge Mazzant stated further that the increase in the salary threshold would all but nullify the duties an employee performs as a means for assessing the employee's exempt status if the employee's salary fell below the new minimum salary level. "The department creates a [rule] that makes overtime status depend predominately on a minimum salary level, thereby supplanting an analysis of an employee's job duties ... [; b]ecause the final rule would exclude so many employees who perform exempt duties, the department fails to carry out Congress's unambiguous intent."

While it is unclear if the Department of Labor will appeal the decision, Judge Mazzant's ruling is clearly a victory for employers. Labor Secretary Alex Acosta, a Trump-appointee, has stated that the Department of Labor could potentially revisit the overtime rule and adjust the salary threshold to somewhere between the previous level and the level set by the Obama administration, which Acosta criticized as being too burdensome on employers. The case is *State of Nevada et al. v. U.S. Department of Labor et al.*, 4:16-cv-00731, in the US District Court for the Eastern District of Texas, Sherman Division.

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