

Court Halts Overtime Rule

✖ A federal judge in Texas entered a nationwide preliminary injunction on Tuesday prohibiting the Department of Labor from enforcing its new overtime rules. The new rules, released in May, were scheduled to take effect December 1, 2016. The new rule would have raised the minimum salary limit required to be considered an “exempt” employee from \$23,660 to \$47,476 per year.

The decision by U.S. District Judge Amos Mazzant in the Eastern District of Texas to grant a preliminary injunction will impact over 4 million workers who made less than the new minimum salary limit and were to be newly eligible for time-and-a-half wages for each hour worked in excess of 40 hours per week.

Twenty-one states challenged the Department of Labor’s overtime expansion on the basis that Congress did not intend to set a minimum salary threshold for the exemption nor did it intend to allow the minimum salary threshold be raised every three years, which the rule stipulates.

The Court found merit in the states’ argument and issued the preliminary injunction—meaning the new rules are temporarily suspended until the judge can issue a ruling on the merits.

The Department of Labor said it strongly disagrees with the decision.

The fate of the new rule has now been put into question as it is possible President-Elect Trump will cause the Department to drop any appeal of the court’s ruling once he takes office in January.

Accordingly, employers are temporarily relieved from implementing changes to its workforce meant to comply with the rule. However, employers should remain prepared to comply with the new rules if they survive legal challenge and eventually become effective. Employers that have already increased salaries, modified timekeeping obligations, and/or examined employees’ exemption statuses ahead of the expected December 1 date will not need to determine which changes should still be implemented, modified, or rescinded.

If you would like assistance in determining what steps to take at this point or how the injunction affects your workforce, please contact your Seigfreid Bingham attorney to discuss this and other recent legal developments in this area of the law.