

Overtime Rule Overturned

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Late last week, a [federal district judge overturned](#) the [U.S. Department of Labor's Overtime Rule](#) that sought to raise the minimum salary level that white collar employees must be paid to remain exempt from overtime pay. The decision effectively returns the wage and hour law to the rule in place earlier this year and raises questions for nonprofit and other employers that had already made adjustments to comply with the higher salary minimums.

Ruling

The newly invalidated Overtime Rule, which had gone into effect on July 1, sought to require employers to increase the minimum salary level for white collar employees to be exempt from overtime pay (time and a half). This first increase from \$35,568 per year (\$684 per week) to \$43,888 per year (\$844 per week) was the inflation adjustment level set by the previous Trump Administration in 2019. A second increase to \$58,656 per year (\$1,128 per week) was planned for January 1, 2025. Additional automatic increases for inflation were supposed to take effect every three years thereafter. Separate threshold and adjustments were also applied for highly compensated employees. The court order blocks these changes and reverts the July 1 increases back to the 2019 level of \$35,568 per year (\$684 per week).

In striking down the rule, the Texas federal judge found that the Labor Department's "2024 Rule plainly exceeds its authority under the [Fair Labor Standards Act]." The judge relied on the same basis as a different Texas federal judge who invalidated the Obama Era overtime rule in 2016. In both cases, the judges found that the high salary level test imposed by the rule effectively rendered moot the job duties tests that are the basis of the overtime exemption for executive, management, and administrative employees.

While the U.S. Department of Labor can appeal the decision, it is likely that the incoming Trump Administration will do what it did back in 2017 – withdraw the appeal and allow the new decision to be the final word on the issue. The Trump DOL could start rulemaking to revise the overtime rule again, but that's not an early priority.

What this means for nonprofits.

Nonprofit employers expressed concerns about the increased thresholds, particularly the one set to go into effect on January 1. While nonprofits will no longer be required to maintain the higher levels from July or adjust salaries of employees in the future, employers shouldn't

immediately remove all pay adjustments they recently put in place. Nonprofits still need to maintain balanced wage policies that benefit employees, organizations, and mission.

Beyond salary adjustments, many nonprofits had already or were making plans to change operations, staff roles and responsibilities, and scheduled work hours to meet the threshold requirements under the Overtime Rule. Executives should reconsider these changes to determine what did and did not work for staff and the organization's ability to provide services effectively for your communities. Some may be worth keeping; others can be revisited to ensure staff and communities feel supported and incentivized to stay.

While not required to do so, nonprofits that increased salaries in July should consider maintaining the higher pay to allow for more financial stability and staff well-being. Some organizations have planned to implement other changes, such as limiting hours for staff, adjusting how many hours constitutes a "workweek", or reorganizing workloads, may have mitigated costs for the organization and allowed for flexibility for staff. However, some changes may have had a negative effect on staff; things like making lunch breaks unpaid, limiting telecommuting, reducing benefits, or replacing full-time workers with part-time workers or contractors. With the demise of the new Overtime Rule, employees have the opportunity to go back through their solutions and retain the ones that promote stability and advance mission.

The Overtime Rule created operational anxiety for many nonprofits to comply with the increased thresholds. Those same nonprofits should not now undercut the moral support they can give to their employees that would have benefited under those increases. The Overtime Rule was overturned but that doesn't mean employees need to be run over by the reversion.

Resources

- **Ruling:** [Memorandum Opinion and Order](#), *State of Texas v. DOL*, E.D. Tex., No. 24-00499, Nov. 15, 2024.
- [Texas Judge Tosses Biden Overtime Expansion for Millions](#), Rebecca Rainey, *Bloomberg Law*, Nov. 15, 2024.
- [Texas Court Strikes Down Federal Overtime Rule \(Again\)](#), Allan S. Bloom and P. Kramer Rice, *National Review*, Nov. 17, 2024.