

FLSA Salary Exemptions

The salary exemptions do not apply to Pastors, who are ministerially exempt. Certain teachers may also be exempt.

The FLSA salary exemption applies to:

- Executive**
- Administrative**
- Professional**
- Highly compensated employee**

FLSA Salary Exemption Levels

	Weekly	Annualized
Pre-2020	\$455	\$23,660
2020	\$684	\$35,568
2024 Proposed	\$1,059	\$55,068
7/1/2024 Actual	\$844	\$43,888
1/1/2025 Actual	\$1,128	\$58,656
2028 Automatic increase		

From the DOL

The Department is setting the standard salary level at the 35th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census Region (\$1,128 per week or \$58,656 annually for a full-year worker) and the highly compensated employee total annual compensation threshold at the annualized weekly earnings of the 85th percentile of full-time salaried workers nationally (\$151,164). These compensation thresholds are firmly grounded in the authority that the FLSA grants to the Secretary to define and delimit the EAP exemption, a power the Secretary has exercised for 85 years.

Details

- **July 1, 2024—**increase the threshold for executive, administrative, and professional employees to \$844 per week, \$43,888 per year. Raise the annual compensation threshold for highly compensated employees to \$132,964.
- **January 1, 2025—**raise the threshold to \$1,128 per week, \$58,656 per year. The annual compensation threshold for highly compensated employees is \$151,164.
- **July 1, 2027—**and every three years thereafter—the salary thresholds will automatically update.

<https://ogletree.com/insights-resources/blog-posts/dol-finalizes-substantial-increase-to-salary-threshold-for-flsa-white-collar-exemption>

New Methodology

The DOL announced a new methodology for determining the standard salary level:

- 35th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census Region (currently, the South)**
- 85th percentile of full-time salaried workers nationally for the HCE.**

<https://www.jacksonlewis.com/insights/dol-releases-final-white-collar-exemption-rule-sets-minimum-salary-increase-phases-beginning-july-1-2024>

Impact According to the DOL

In the first year of the rule taking effect:

- **Four million workers will be impacted—one million in July and three million in 2025.**
- **292,900 employees will be affected by the adjustment to the HCE salary threshold.**
- **There will be an annualized income transfer from employers to employees of \$1.5 billion.**

<https://www.jacksonlewis.com/insights/dol-releases-final-white-collar-exemption-rule-sets-minimum-salary-increase-phases-beginning-july-1-2024>

Past Court Challenges

- The DOL has attempted to raise the threshold for exempt status. The Obama-era rule was enjoined by a Texas federal court in 2017. The challenge to the Trump-era rule is ongoing in the Fifth Circuit.
- Traditional arguments allege the rule-making process did not satisfy the mandates of the Administrative Procedure Act. It is likely it will be challenged as exceeding the statutory authority of the DOL.

<https://www.troutman.com/insights/new-dol-rule-changes-to-salary-thresholds-for-overtime-exemptions.html#>

<https://www.faegredrinker.com/en/insights/publications/2024/4/hurry-up-but-also-wait-the-dols-final-rule-for-overtime-exemptions-and-likely-legal-challenges>

2023 Court Ruling

The DOL has statutory authority to impose a salary requirement for an exemption from overtime under the Fair Labor Standards Act, a federal district court in Texas holds, granting summary judgment to the DOL. *Mayfield v. U.S. Department of Labor*.

A lawsuit filed by a fast-food franchise operator asserted DOL lacked statutory authority to issue a 2019 rule increasing the salary level. The district court concluded that the DOL permissibly adopted a salary floor as a factor in defining the exemption. The court also rejected the business owner's argument that imposing a salary requirement implicated the "major questions doctrine," which has been used recently by the U.S. Supreme Court to invalidate federal regulations.