

Legal Update

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5th Circuit Upholds DOL's Authority to Set Minimum Salary Requirement for White-collar Exemptions

On **Sept. 11, 2024**, in *Mayfield v. U.S. Department of Labor*, the U.S. Court of Appeals for the 5th Circuit [held](#) that the U.S. Department of Labor's (DOL) authority to define and delimit the terms of the executive, administrative and professional (EAP) exemptions includes the power to set a minimum salary for exemption under the Fair Labor Standards Act (FLSA).

Background

The FLSA requires employers to pay employees overtime pay at a rate of 1.5 times their **regular rate of pay** for all hours worked over 40 in a workweek unless the employees qualify for an exemption under the FLSA. The FLSA provides several exemptions from the overtime pay requirements, the most common of which are the "white-collar" exemptions. These exemptions apply primarily to EAP employees but also to some individuals in outside sales and computer-related occupations and certain highly compensated employees (HCEs). To qualify for most white-collar exemptions, an employee must satisfy the following tests:

- The **salary basis test** requires that the employee is paid a predetermined and fixed salary that does not fluctuate on the quality or quantity of work;
- The **salary level test** requires that the employee meets a minimum specified amount to qualify for the exemption; and
- The **duties test** requires that an employee's actual work responsibilities match the description the FLSA assigns to the exemption.

In 2019, the DOL [issued](#) a final rule raising the minimum salary requirement employees in white-collar occupations must satisfy to qualify for an overtime exemption under the FLSA from \$455 per week to \$684 per week.

Court Case and Impact

In *Mayfield*, the plaintiff, a small business owner, challenged the DOL's 2019 final rule, arguing that the agency lacks the authority to define EAP exemptions in terms of salary level. The 5th Circuit held that raising the minimum salary requirement for white-collar exemptions fell within the DOL's explicitly delegated authority to define and delimit the terms of the exemption. The court also held that the DOL's authority was not an unconstitutional delegation of power because Congress provided at least two principles to guide and confine the agency. The 5th Circuit's ruling in *Mayfield* comes after a federal judge in the U.S. District Court for the Eastern District of Texas granted a preliminary injunction on June 24, 2024, blocking the enforcement of the DOL's 2024 final rule as it applied to the State of Texas as an employer.



HIGHLIGHTS & IMPORTANT DATES

Jan. 1, 2020

The DOL's 2019 final overtime rule went into effect, increasing the minimum salary requirement for employees in white-collar occupations from \$455 to \$684 per week.

April 23, 2024

The DOL announced a final rule to amend current requirements employees in white-collar occupations must satisfy to qualify for an FLSA overtime exemption, effective July 1, 2024.

Sept. 11, 2024

The 5th Circuit upheld the DOL's authority to set the minimum salary level for EAP exemptions.

The 5th Circuit's ruling is significant, as it provides support for the DOL's authority to implement its [2024 final rule](#) that amended current requirements employees in white-collar occupations must satisfy to qualify for an overtime exemption under the FLSA. The final rule took effect on **July 1, 2024**, increasing the standard salary level from \$684 to **\$844 per week** (\$35,568 to **\$43,888 per year**) for EAP employees and \$107,432 to **\$132,964** per year for HCEs. On **Jan. 1, 2025**, the salary level will again increase from \$844 to **\$1,128 per week** (\$43,888 to **\$58,656 per year**) for EAP employees and \$132,964 to **\$151,164** per year for HCEs. The rule also enables the DOL to update the salary levels automatically every three years starting **July 1, 2027**.

The DOL's 2024 final rule is currently facing several legal challenges from businesses in multiple jurisdictions. In upholding the DOL's authority to use a salary basis to define white-collar exemptions under the FLSA, the 5th Circuit's ruling in *Mayfield* will likely be used by the agency to defend its new rule in those legal challenges. Notably, the *Mayfield* ruling does not change employers' obligations to comply with the most recent white-collar salary level increase that went into effect on July 1, 2024. Impacted employers should continue to monitor this situation, as the remaining legal challenges may impact the DOL's 2024 final rule.

Provided by Evolution of Benefits

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