CLIENT ALERTS & INSIGHTS

Department of Labor Reinstates Prior Overtime Exemption Regulations Following Court Decisions

MAY 18, 2026

Authors: W. Eric Baisden, Adam Primm, Deedra Thompson

Featured Practices: Labor & Employment

Key Takeaways

- The Department of Labor has removed the 2024 overtime exemption rule, reinstating 2019 salary thresholds and criteria for classifying employees as exempt from overtime under the Fair Labor Standards Act.
- Employers who adjusted employee classifications or pay to comply with the now-vacated 2024 rule may face compliance risks or confusion, as the lower 2019 thresholds are once again in effect and automatic updates are no longer scheduled.
- Employers should promptly review exempt employee classifications, adjust payroll and policies as needed, and clearly communicate any changes to staff to ensure ongoing compliance and minimize legal or employee relations issues.

Effective May 15, 2026, the U.S. Department of Labor ("DOL") has formally removed the Biden-era 2024 overtime exemption rule from the Code of Federal Regulations ("CFR") after multiple federal courts vacated the rule (see prior alert here). The amendment impacts regulations issued under the Fair Labor Standards Act ("FLSA") governing the executive, administrative, professional, outside sales, and computer employees exemptions from minimum wage and overtime requirements. More specifically, the amendment restores the salary thresholds and reinstates regulatory text established under the Department's 2019 final rule.

Historically, the DOL has required employers to satisfy three (3) separate criteria for an employee to be considered Executive, Administrative, or Professional ("EAP") exempt: (1) the employee's primary duties must meet the applicable duties test; (2) the employee must be paid on a salary basis; and (3) the employee salary must meet a minimum salary threshold. In 2019, the DOL increased thresholds from $455 per week to $684 per week ($35,568 annually). The rule also raised the highly compensated employee ("HCE") annual compensation threshold from $100,000 to $107,432. These changes took effect January 1st, 2020.

Four years later, the DOL again sought to increase the salary threshold. In April 2024, the Department issued a final rule raising the standard salary level to $844 per week ($43,888 annually), effective July 1st

, 2024, with an additional increase to $1,128 per week ($58,656 annually) scheduled for January 1, 2025. The rule also increased the HCE compensation threshold and implemented automatic triennial updates moving forward.

But the 2024 rule faced immediate legal challenges. In November and December 2024, two federal district courts in Texas vacated the rule concluding the DOL exceeded its authority. The U.S. Court of Appeals for the Fifth Circuit subsequently dismissed appeals in both cases on May 5 and May 7, 2026, respectively, rendering the district court decisions final. Because the amendment simply restores the prior regulatory texts, the DOL stated that notice and comment procedures were unnecessary and made the rule effective immediately upon publication.

Practical Implication

Practically speaking, employers should keep several considerations in mind:

- **Evaluate Exempt Classifications:** Identify employees who were reclassified under the 2024 rule and determine whether they now qualify as exempt under the reinstated $684/week threshold.
- **Assess Compensation Strategy:** Decide whether to maintain, reduce, or restructure salaries that were increased to meet the 2024 thresholds.
- **Update Payroll and Timekeeping Practices:** Adjust overtime and payroll systems for any employees reclassified back to exempt status.
- **Conduct a Wage-and-Hour Audit:** Review job duties and classifications to mitigate misclassification risk in light of the regulatory change.
- **Revise Policies and Documentation:** Update handbooks, exemption policies, and job descriptions to reflect the reinstated framework.
- **Communicate Changes to Employees**: Provide clear, consistent explanations of any classification or pay changes to reduce confusion and employee relations risks.

The Benesch Labor & Employment Practice Group will continue to monitor developments and provide updates as appropriate. If you have any questions, please reach out to the team.