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Federal Court Halts Implementation of the New White-Collar Exemption Regulations

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In a stunning development, a federal district court in Texas issued a nationwide preliminary injunction on November 22, 2016 barring the Department of Labor from implementing its new regulations defining the executive, administrative, and professional exemptions from federal minimum wage and overtime requirements. The court's decision in *Nevada v. DOL* comes just days before the new regulations were to go into effect.

As we reported in our [May 19, 2016 Legal Alert](#), the Department of Labor earlier this year issued new regulations defining the executive, administrative, and professional exemptions (the "white-collar exemptions") from the minimum wage and overtime requirements of the federal Fair Labor Standards Act. The new regulations, which dramatically increased the minimum annual salary for exempt status to \$47,476, were scheduled to go into effect on December 1, 2016. Twenty-one states and a number of business groups brought lawsuits challenging the new regulations, arguing that the Department of Labor did not have the authority to define the white-collar exemptions in terms of salary. Those lawsuits were consolidated into one case before a federal district court in Texas. The judge in that case concluded that the states had demonstrated a reasonable likelihood of success on the merits and would suffer irreparable harm if the new regulations were allowed to go into effect. The judge therefore issued a preliminary injunction prohibiting the Department of Labor from implementing the new regulations anywhere in the country.

Practical Implications

The court's ruling means that the new regulations are, for the time being, on hold and that the current white-collar exemption regulations, which contain a salary threshold of \$23,660, will remain in effect. Further hearings will be held before the Texas court to determine whether the preliminary injunction should be made permanent or dissolved, and the Department of Justice, which defended the Department of Labor in this lawsuit, is expected to appeal the court's ruling. However, the change in administration that will occur on January 20, 2017, could derail the governmental efforts to defend the new regulations.

Although employers will not be required by law to satisfy the \$47,476 salary threshold for exempt status as of December 1, employers that have already announced or implemented changes in compensation prompted by the new white-collar exemption regulations should consider the impact that any retraction of those changes may have on employee morale. Employees who have been told that they will receive a salary increase on December 1 to enable them to remain classified as exempt may react negatively if they are now informed that their salary will remain unchanged in light of the latest developments with respect to the new regulations. Similarly, currently exempt employees who have been told that they will become eligible for overtime compensation on December 1 may not only be disheartened by an announcement that they will remain exempt employees at their current salaries, they may have an incentive to consult a lawyer to determine if they are, in fact, correctly classified as exempt. Formerly exempt employees who objected to being reclassified as

nonexempt in light of the new regulations may, on the other hand, welcome the news that they will remain classified as exempt employees. Employers will therefore need to make an informed business decision about how to respond to the court's ruling in *Nevada v. DOL*.

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