

Federal Court Holds RSUs Exempt from Overtime Pay Calculation

July 7, 2026

RELATED PRACTICES Employee Benefits and Executive Compensation

In *Costa v. Apple, Inc.*, a federal court in California held that the value of restricted stock units (“**RSUs**”) should not be included in an employee’s regular rate of pay when calculating overtime under the Fair Labor Standards Act (“**FLSA**”). The decision provides the first clear judicial authority that properly structured RSU awards fall outside the FLSA’s overtime calculation, marking a significant development for employers offering this type of equity compensation to hourly workers.

While *Costa* offers persuasive authority for excluding RSU awards from overtime calculations, it also reinforces that the structure of the equity program matters. Employers seeking to rely on *Costa* should ensure that awards remain discretionary, unconnected to hours worked or productivity, and clearly characterized in award agreements as voluntary and exceptional, not guaranteed compensation. Because *Costa* is a single district court decision on a novel question and is currently on appeal, employers should expect continued development in this area and review their RSU program documentation periodically.

The opinion in this case is available [here](#).