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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2567

03/20/2025 Authored by Greenman and Rehrauer
The bill was read for the first time and referred to the Committee on Workforce, Labor, and Economic Development Finance and Policy

A bill for an act

relating to employment; providing that stay-or-pay provisions are prohibited, unenforceable, and against public policy; amending Minnesota Statutes 2024, section 177.27, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 181.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2024, section 177.27, subdivision 4, is amended to read:

Subd. 4. **Compliance orders.** The commissioner may issue an order requiring an employer to comply with sections 177.21 to 177.435, 177.50, 179.86, 181.02, 181.03, 181.031, 181.032, 181.10, 181.101, 181.11, 181.13, 181.14, 181.145, 181.15, 181.165, 181.172, paragraph (a) or (d), 181.214 to 181.217, 181.275, subdivision 2a, 181.635, 181.64, 181.722, 181.723, 181.79, 181.85 to 181.89, 181.939 to 181.943, 181.9445 to 181.9448, 181.987, 181.989, 181.991, 268B.09, subdivisions 1 to 6, and 268B.14, subdivision 3, with any rule promulgated under section 177.28, 181.213, or 181.215. The commissioner shall issue an order requiring an employer to comply with sections 177.41 to 177.435, 181.165, or 181.987 if the violation is repeated. For purposes of this subdivision only, a violation is repeated if at any time during the two years that preceded the date of violation, the commissioner issued an order to the employer for violation of sections 177.41 to 177.435, 181.165, or 181.987 and the order is final or the commissioner and the employer have entered into a settlement agreement that required the employer to pay back wages that were required by sections 177.41 to 177.435. The department shall serve the order upon the employer or the employer's authorized representative in person or by certified mail at the employer's place of business. An employer who wishes to contest the order must file written notice of objection to the order with the commissioner within 15 calendar days after being

served with the order. A contested case proceeding must then be held in accordance with sections 14.57 to 14.69 or 181.165. If, within 15 calendar days after being served with the order, the employer fails to file a written notice of objection with the commissioner, the order becomes a final order of the commissioner. For the purposes of this subdivision, an employer includes a contractor that has assumed a subcontractor's liability within the meaning of section 181.165.

EFFECTIVE DATE. This section is effective July 1, 2025.

Sec. 2. **[181.989] STAY-OR-PAY PROVISIONS VOID IN EMPLOYMENT CONTRACTS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of labor and industry.

(c) "Department" means the Department of Labor and Industry.

(d) "Employee" has the meaning given in section 181.988, subdivision 1, paragraph (c).

(e) "Employer" has the meaning given in section 181.988, subdivision 1, paragraph (b).

(f) "Independent contractor" has the meaning given in section 181.988, subdivision 1, paragraph (d).

(g) "Stay-or-pay provision" means a written agreement or contract provision that requires an employee to pay the employer or the employer's agent or assignee a sum of money if the employee leaves the employment before passage of a stated period of time, including but not limited to a written agreement or contract provision stating payment of money constitutes reimbursement for training provided to the employee by the employer or by a third party, recruitment and training costs for replacement employees, lost revenue, or liquidated damages.

Subd. 2. **Prohibiting use of stay-or-pay provisions.** (a) A stay-or-pay provision is unconscionable, against public policy, and prohibited.

(b) No employer may present an employee or prospective employee with a stay-or-pay provision, or require an employee or prospective employee to execute a stay-or-pay provision, as a condition of employment. The execution of a stay-or-pay provision as a condition of employment is against public policy and is void. If a stay-or-pay provision is part of a larger agreement, the invalidity of the provision does not affect other provisions of the larger agreement.

(c) No employer may enforce or threaten to enforce a stay-or-pay provision against an employee.

(d) A waiver of this section is invalid.

Subd. 3. **Enforcement.** (a) An employer found to have violated this section shall be fined by the commissioner not less than $1,000 and not more than $5,000 for each violation.

(b) Each time an employer presents an employee or prospective employee with a stay-or-pay provision, or requires the execution of, enforces, or threatens to enforce a stay-or-pay provision, constitutes a separate violation of this section.

Subd. 4. **Civil action.** One or more employees or prospective employees seeking redress for a violation of this section may, on their own behalf or on behalf of similarly situated employees or prospective employees, bring a civil action in district court. In the event of a successful action, a plaintiff shall be awarded injunctive relief as appropriate, actual damages, an additional $5,000 for each violation, and reasonable costs and attorney fees.

Subd. 5. **Scope.** (a) This section supersedes common law only to the extent that it applies to a stay-or-pay provision but otherwise does not affect principles of law and equity consistent with this section.

(b) The rights and remedies provided in this section are in addition to and do not supersede any other rights and remedies provided by statute or common law.

EFFECTIVE DATE. This section is effective July 1, 2025, and applies to contracts and agreements entered into on or after that date.