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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1056

01/30/2023

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The bill was read for the first time and referred to the Committee on Labor and Industry Finance and Policy

1.1 A bill for an act  
1.2 relating to employment; prohibiting payment of certain sexual harassment or abuse  
1.3 settlements as severance; allowing a state income tax subtraction for certain  
1.4 damages received; amending Minnesota Statutes 2022, section 290.0132, by adding  
1.5 a subdivision; proposing coding for new law in Minnesota Statutes, chapter 181.

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

1.7 Section 1. **[181.141] SEXUAL HARASSMENT OR ABUSE SETTLEMENT;**  
1.8 **PAYMENT AS SEVERANCE OR WAGES PROHIBITED.**

1.9 In a sexual harassment or abuse settlement between an employer and an employee, when  
1.10 there is a financial settlement provided, the financial settlement cannot be provided as wages  
1.11 or severance pay to the employee when the settlement includes a nondisclosure agreement.

1.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.13 Sec. 2. Minnesota Statutes 2022, section 290.0132, is amended by adding a subdivision  
1.14 to read:

1.15 Subd. 34. **Damages for sexual harassment or abuse.** The amount of qualifying damages  
1.16 received is a subtraction. For purposes of this subdivision, "qualifying damages" means:

1.17 (1) damages received under a sexual harassment or abuse claim that are not excluded  
1.18 from gross income under section 104(a)(2) of the Internal Revenue Code because the injury  
1.19 or sickness for which the damages are paid are not physical; or

1.20 (2) severance pay received under a financial settlement of a sexual harassment or abuse  
1.21 claim that does not include a nondisclosure agreement.

- 2.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
- 2.2 31, 2021.