

S.F. No. 1258 – Sexual harassment or abuse settlements (As amended by the A-2 amendment)

Author: Senator Judy Seeberger

Prepared by: Carlon Doyle Fontaine, Senate Counsel (651/296-4395)

Date: February 15, 2023

S.F. 1258 prohibits sexual harassment and abuse settlements between employers and employees from being provided as wages or severance pay regardless of whether the settlement also includes a nondisclosure agreement. The bill also allows for an individual income tax subtraction for damages received.

Section. 1. **Sexual harassment or abuse settlement; payment as severance or wages prohibited.** Prohibits financial settlements in sexual harassment or abuse cases between employers and employees from paying the settlement as wages or severance pay regardless of whether the settlement also includes a nondisclosure agreement.

Section 2. **Damages for sexual harassment or abuse.** Provides an individual subtraction from taxable income for (1) damages received under a sexual harassment or abuse claim for injuries that are not physical injuries or sicknesses; and (2) severance pay received in settlement of a sexual harassment or abuse claim if the settlement does not include a nondisclosure agreement.

Provides an effective date for tax years beginning in 2023.