

**Subject** Sexual Harassment Settlements; State Income Tax on Settlements

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### Overview

This bill prohibits sexual abuse and harassment settlements between employers and employees from being provided as wages or severance pay when the settlement also includes a nondisclosure agreement.

In addition, the bill would provide an individual income tax subtraction for damages received for nonphysical injuries and sicknesses (for example, emotional distress, humiliation, and defamation), which would encompass settlements not provided as severance pay in settlements that do include a nondisclosure agreement.

Also, individuals receiving a severance pay award in a settlement that does not include a nondisclosure agreement would be allowed a subtraction for the pay.

### Summary

Section	Description
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| 1 | <p><b>Sexual harassment or abuse settlement; payment as severance or wages prohibited.</b></p> <p>Prohibits financial settlements in sexual harassment or abuse cases between employers and employees from paying the settlement as “wages” or “severance pay” when the settlement also includes a nondisclosure agreement.</p> <p>Effective date: This section is effective the day following final enactment.</p> |
| 2 | <p><b>Damages for sexual harassment or abuse.</b></p> <p>Provides an individual subtraction from taxable income for (1) damages received for injuries that are not physical injuries or sicknesses (that is, emotional distress, humiliation, and defamation) and (2) severance pay received in settlement of a</p>   |

Section	Description
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	sexual harassment claim if the settlement does not include a nondisclosure agreement.
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Effective date: Tax years beginning in 2022.



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