

Subject Stay-or-pay provisions in employment contracts

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Overview

This bill prohibits employers from requiring employees to pay the employer money if the employee leaves the job before a certain amount of time has passed. It provides certain limited exceptions, as well as a civil right of action for violations.

Summary

Section	Description
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| 1 | <p>[181.989] Stay-or-pay provisions void in employment contracts.</p> <p>Prohibits stay-or-pay provisions in employment contracts and allows employees to sue over violations of this prohibition.</p> <p>Subd. 1. Definitions. Defines terms, including “stay-or-pay provision,” which is any agreement that requires the employee to pay the employer money if the employee leaves the job before a certain amount of time has passed. Includes situations of reimbursement for training or recruitment costs, lost revenue, or liquidated damages, but does not include repayment for training provided through a registered apprenticeship program.</p> <p>Subd. 2. Prohibiting use of stay-or-pay provisions. Prohibits stay-or-pay provisions as a condition of employment and invalidates that portion of any agreement. Forbids waiver of this prohibition.</p> <p>Subd. 3. Exception. Allows an exception to this prohibition for the repayment of the cost of tuition for a transferrable credential, if the agreement meets the following requirements:</p> <ol style="list-style-type: none">1) it was made separately from the employment contract;2) it does not make obtaining the transferrable credential a condition of employment;3) it specifies the repayment amount, which cannot be more than the employer’s cost for the tuition; |
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Section **Description**

- 4) it allows for prorated repayment and does not require accelerated repayment if the employee leaves the job; and
- 5) it does not require repayment if the employee is terminated, unless for misconduct.

Subd. 4. Choice of law; venue. Forbids employers from requiring employees who primarily reside or work in Minnesota and have claims arising in Minnesota to agree to either: 1) adjudicate their claims outside Minnesota; or 2) give up the substantive protections of Minnesota law. Renders such agreements voidable at the employee’s request, which would subject the matter to Minnesota’s jurisdiction and laws.

Subd. 5. Civil action. Gives employees the right to sue for violations of this section. Allows successful plaintiffs to collect injunctive relief if appropriate, as well as actual damages, an extra \$5,000 for each violation, and reasonable costs and attorney fees. Sets a six-year statute of limitations for filing suits under this section, counted from the date of the most recent violation.

Subd. 6. Scope. Limits the scope of the effect of this section on common law to just stay-or-pay provisions. Specifies that the rights and remedies under this section are in addition to any existing ones under statute or common law.

Effective Date: This section is effective July 1, 2026, and applies to contracts and agreements entered into on or after that date.



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