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HOUSE BILL NO. 923

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend the Code of Virginia by adding in Article 1 of Chapter 3 of Title 40.1 a section numbered 40.1-28.7:12, relating to protection of employees; stay or pay contracts prohibited; civil penalty.

Patron—Lopez

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 1 of Chapter 3 of Title 40.1 a section numbered 40.1-28.7:12 as follows:

§ 40.1-28.7:12. Stay or pay contracts prohibited; exceptions; civil penalty.

A. As used in this section:

"Debt" means a monetary obligation or liability of any employee arising out of a stay or pay contract, including costs relating to employment, education, or consumer financial products or services.

"Employee" includes a former or prospective employee.

"Employer" includes a former or prospective employer.

"Stay or pay contract" means any agreement or provision of an employment contract that:

1. Requires an employee to pay an employer, training provider, or debt collector a debt upon the termination of employment;

2. Authorizes an employer, training provider, or debt collector to initiate or resume the collection of or end forbearance on an employee's debt upon the termination of employment; or

3. Imposes any penalty, fee, or cost on an employee upon the termination of employment.

"Penalty, fee, or cost" includes any replacement hire fee, retraining fee, quit fee, reimbursement of costs relating to immigration or visas, liquidated damages, lost goodwill, and lost profit.

"Training provider" means an entity that provides an education program, a job training program, or a skills training program, regardless of affiliation with an employer.

"Transferable credential" means a degree that is offered by a third-party institution that is accredited and authorized to operate in the Commonwealth, is not required for an employee's current employment, and is transferable and beneficial for other employment.

B. Except as provided in subsection C, no employer shall enter into, enforce, or threaten to enforce a stay or pay contract with any employee.

C. No provision of this section shall apply to any contract:

1. Entered into under any loan repayment assistance program or loan forgiveness program provided by a federal, state, or local governmental agency;

2. Relating to the lease, financing, or purchase of residential property;

3. Relating to enrollment in a bona fide apprenticeship program recognized by the Commonwealth or the United States Department of Labor;

4. Relating to the repayment of tuition for a transferable credential, provided that the employee is not required to obtain such transferable credential as a condition of employment and that such contract (i) is offered separately from any contract for employment; (ii) specifies the total amount of repayment, which does not exceed the actual cost to the employer for the tuition; (iii) provides for a prorated repayment schedule during any required duration of employment that is proportional to such duration and the total amount of repayment and that does not require accelerated payment upon the termination of employment; and (iv) does not require the employee to repay an employer unless such employee is terminated for cause; or

5. For the receipt of a discretionary or unearned monetary payment, including a financial bonus, provided to an employee at the start of employment that is not tied to specific job performance, provided that (i) such contract is offered separately from any contract for employment; (ii) the employee is notified of his right to consult an attorney regarding the contract and given a time period of at least five business days to review such contract; (iii) any repayment obligation for early termination of employment is not subject to interest accrual and is prorated based on the remaining term of any retention period, which shall not exceed two years after the receipt of payment; (iv) the employee may defer receipt of payment to the end of the retention period without any obligation of repayment; and (v) employment is terminated at the sole election of the employee or due to the employee's misconduct.

D. An employee may bring a civil action in a court of competent jurisdiction against any employer or other person that attempts to enforce a stay or pay contract against such employee in violation of this section. An action under this section shall be brought within two years of the latter of (i) the date the stay or pay

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59 contract was signed, (ii) the date the employee learns of the stay or pay contract, (iii) the date the
60 employment relationship is terminated, or (iv) the date the employer takes any step to enforce the stay or pay
61 contract. The court shall have jurisdiction to void any stay or pay contract with an employee and to order all
62 appropriate relief, including enjoining the conduct of any person or employer, ordering payment of
63 liquidated damages, and awarding lost compensation, damages, and reasonable attorney fees and costs. No
64 employer may discharge, threaten, or otherwise discriminate or retaliate against an employee for bringing a
65 civil action pursuant to this section.

66 E. If the court finds a violation of the provisions of this section, the plaintiff shall be entitled to recover
67 reasonable costs, including costs and reasonable fees for expert witnesses, and attorney fees from the
68 employer or other person who attempts to enforce a stay or pay contract against such plaintiff.

69 F. Any employer that violates the provisions of subsection B as determined by the Commissioner shall be
70 subject to a civil penalty of \$10,000 for each violation. Civil penalties owed under this subsection shall be
71 paid to the Commissioner for deposit in the general fund. The Commissioner shall prescribe procedures for
72 the payment of proposed assessments of penalties that are not contested by employers. Such procedures shall
73 include provisions for an employer to consent to abatement of the alleged violation and to pay a proposed
74 penalty or a negotiated sum in lieu of such penalty without admission of any civil liability arising from such
75 alleged violation.