SENATE FILE 496
BY COMMITTEE ON LABOR AND
BUSINESS RELATIONS

(SUCCESSOR TO SSB 1147)

(As Amended and Passed by the Senate March 29, 2021)

_____ = New Language by the Senate

A BILL FOR

An Act prohibiting employers from entering into noncompete agreements with low-wage employees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. **94.1 Definitions.**

As used in this section, unless the context otherwise requires:

1. *"Confidentiality agreement"* means an agreement between an employer and employee by which an employee agrees not to disclose specified information designated by the employer as confidential.

2. *"Employee"* means a natural person who is employed in this state for wages by an employer.

3. *"Employer"* means a person, as defined in chapter 4, who in this state employs for wages an employee.

4. *"Low-wage employee"* means an employee who earns an average monthly wage that is less than or equal to fourteen dollars and fifty cents an hour.

5. *a. "Noncompete agreement"* means an agreement between an employer and a low-wage employee that restricts the low-wage employee from performing any of the following:

(1) Work for a different employer for a specified period of time.

(2) Work in a specified geographical area.

(3) Work for a different employer that is similar to the low-wage employee's work for the employer who is a party to the agreement.

b. "Noncompete agreement" does not include any of the following:

(1) A nonsolicitation agreement.

(2) A confidentiality agreement.

(3) An agreement prohibiting use or disclosure of trade secrets or inventions.

6. *"Nonsolicitation agreement"* means an agreement between an employer and employee that prohibits solicitation by an employee, upon termination of employment, of any of the following:

a. An employee of the employer to leave employment by the employer.

b. A customer of the employer to cease or reduce the extent to which the customer does business with the employer.

Sec. 2. NEW SECTION. **94.2 Noncompete agreements with low-wage employees prohibited.**

1. An employer shall not require a low-wage employee to enter into a noncompete agreement.

2. A noncompete agreement entered into between an employer and a low-wage employee on or after the effective date of this Act shall be void and unenforceable.