
Labor & Workplace Standards Committee

HB 2474

Brief Description: Concerning sales commissions.

Sponsors: Representative Sells.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Prohibits conditioning the earning of a sales commission on whether the contract was terminated subsequent to the efforts that resulted in the sale.• Specifies that failure to pay an earned commission is a wage payment violation.
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Hearing Date: 1/20/20

Staff: Lily Smith (786-7175).

Background:

The Wage Payment Act establishes standards for the payment of wages. Generally, it is unlawful for an employer to withhold an employee's wages or to willfully pay an employee less than the employer is required to pay. With a limited exception, wages due to an employee upon termination of employment must be paid at the end of the established pay period.

Sales representatives, who may not have established pay periods, are subject to additional provisions regarding payment of compensation. Contracts between principals and sales representatives must:

- be in writing;
- set forth the method for computing and paying the sales representative's commission; and
- be given to the sales representative.

During and upon termination of the contract, all commissions earned by the sales representative must be paid no later than 30 days after the receipt of payment by the principal for the products

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that the sales representative sold. Upon termination, this includes earned commissions not yet due.

Compensation is otherwise payable to a sales representative in accordance with the agreed terms of the contract between the representative and the principal.

Summary of Bill:

Where a sales representative's efforts prior to termination result in a sale, the termination may not effect whether a commission is considered earned. A contract may not establish payment conditions that conflict with this restriction.

Failure to pay an earned commission is considered a wage payment violation.

Bonus payments under an incentive compensation plan or other agreement are specifically included in the definition of "commission."

Appropriation: None.

Fiscal Note: Requested on January 14, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.