

By: Morales of Harris

H.B. No. 4067

A BILL TO BE ENTITLED

AN ACT

relating to prohibiting covenants not to compete against workers.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter E, Chapter 15, Business & Commerce Code, is amended by adding Sections 15.501, 15.502, and 15.503 to read as follows:

Sec. 15.501. DEFINITIONS. In this subchapter:

(1) "Business entity" means a partnership, corporation, association, limited liability company, or other legal entity, or a division or subsidiary of the entity.

(2) "Covenant not to compete" means a condition of employment, including an oral or written contractual term or workplace policy, that prohibits a worker from, penalizes a worker for, or functions to prevent a worker from:

(A) seeking or accepting work in the United States with a different person to begin after the conclusion of the employment that includes the condition; or

(B) operating a business in the United States after the conclusion of the employment that includes the condition.

(3) "Officer" means a president, vice president, secretary, treasurer or principal financial officer, comptroller or principal accounting officer, or any individual routinely performing corresponding functions with respect to any business entity.

1           (4) "Policy-making authority" means the authority to  
2 make policy decisions that control significant aspects of a  
3 business entity or common enterprise. The term does not include  
4 authority limited to advising or exerting influence over policy  
5 decisions or having final authority to make policy decisions for  
6 only a subsidiary of or affiliate of a common enterprise.

7           (5) "Policy-making position":

8           (A) includes:

9                   (i) a business entity's:

10                           (a) president; or

11                           (b) chief executive officer or the  
12 equivalent;

13                   (ii) any other officer of a business entity  
14 who has policy-making authority;

15                   (iii) any individual who has policy-making  
16 authority for the business entity similar to an officer with  
17 policy-making authority; or

18                   (iv) an officer of a subsidiary or  
19 affiliate of a business entity that is part of a common enterprise  
20 who has policy-making authority for the common enterprise; and

21           (B) does not include an individual who does not  
22 have policy-making authority over a common enterprise even if the  
23 individual has policy-making authority over a subsidiary or  
24 affiliate of a business entity that is part of the common  
25 enterprise.

26           (6) "Preceding year" means:

27                   (A) the most recent 52-week year;

1           (B) the most recent calendar year;

2           (C) the most recent fiscal year; or

3           (D) the most recent anniversary of hire year.

4           (7) "Senior executive" means a worker who:

5           (A) was in a policy-making position; and

6           (B) received for the employment:

7                   (i) total annual compensation of at least  
8 \$151,164 in the preceding year;

9                   (ii) total compensation of at least  
10 \$151,164 when annualized if the worker was employed during only  
11 part of the preceding year; or

12                   (iii) total compensation of at least  
13 \$151,164 when annualized in the preceding year before the worker's  
14 departure if the worker departed from employment before the  
15 preceding year and is subject to a covenant not to compete.

16           (8) "Total annual compensation" means a worker's  
17 earnings over the preceding year, including salary, commissions,  
18 nondiscretionary bonuses, and other nondiscretionary compensation  
19 earned during that one-year period. The term does not include  
20 board, lodging, or other facilities as described by 29 C.F.R.  
21 Section 541.606 and does not include payments for medical  
22 insurance, payments for life insurance, contributions to  
23 retirement plans, or the cost of other similar benefits.

24           (9) "Worker" means an individual who works or who  
25 previously worked, without regard to whether the individual was  
26 paid, to the worker's title, or to the worker's status under any  
27 other state or federal laws, including whether the worker is an

1 employee, independent contractor, extern, intern, volunteer,  
2 apprentice, or sole proprietor who provides a service to a person.  
3 The term includes an individual who works for a franchisee or  
4 franchisor, but does not include a franchisee in the context of a  
5 franchisee-franchisor relationship.

6 Sec. 15.502. COVENANTS NOT TO COMPETE AGAINST WORKERS  
7 PROHIBITED. (a) This subsection applies only to a worker who is  
8 not a senior executive. A person may not:

9 (1) enter into or attempt to enter into a covenant not  
10 to compete with the worker;

11 (2) enforce or attempt to enforce a covenant not to  
12 compete against the worker; or

13 (3) represent that the worker is subject to a covenant  
14 not to compete.

15 (b) This subsection applies only to a senior executive. A  
16 person may not:

17 (1) enter into or attempt to enter into a covenant not  
18 to compete with the senior executive;

19 (2) enforce or attempt to enforce a covenant not to  
20 compete entered into after September 1, 2025, against a senior  
21 executive; or

22 (3) represent that the senior executive is subject to  
23 a covenant not to compete, where the covenant not to compete was  
24 entered into after September 1, 2025.

25 (c) A covenant not to compete entered into by a worker in  
26 violation of this section is void and unenforceable.

27 (d) This section does not apply to a covenant not to compete

1 that is entered into by a person under a bona fide sale of:

2 (1) a business entity;

3 (2) the person's ownership interest in a business  
4 entity; or

5 (3) all or substantially all of a business entity's  
6 operating assets.

7 Sec. 15.503. NOTICE REQUIRED. (a) Not later than January  
8 1, 2026, a person who entered into a covenant not to compete with a  
9 worker that is void and unenforceable under Section 15.502 shall  
10 provide clear and conspicuous notice to the worker that the  
11 worker's covenant not to compete is void and unenforceable.

12 (b) The notice required by this section must:

13 (1) identify the person who entered into the covenant  
14 not to compete with the worker; and

15 (2) be delivered:

16 (A) on paper by hand to the worker;

17 (B) by mail at the worker's last known personal  
18 street address;

19 (C) by e-mail at an e-mail address belonging to  
20 the worker, including the worker's:

21 (i) current work e-mail address; or

22 (ii) last known personal e-mail address; or

23 (D) by text message at a mobile telephone number  
24 belonging to the worker.

25 (c) If a person required to provide notice under this  
26 section has no record of a worker's street address, e-mail address,  
27 or mobile telephone number, the person is exempt from the

1 requirements of this section with regard to that worker.

2 SECTION 2. The following provisions are repealed:

3 (1) Sections 15.50, 15.51, and 15.52, Business &  
4 Commerce Code;

5 (2) Section 311.083(i), Health and Safety Code; and

6 (3) Sections 1002.061(j), 1044.0605(k), and  
7 1069.0605(j), Special District Local Laws Code.

8 SECTION 3. The changes in law made by this Act apply only to  
9 a covenant not to compete entered into or renewed on or after the  
10 effective date of this Act. A covenant not to compete entered into  
11 or renewed before the effective date of this Act is governed by the  
12 law in effect on the date the covenant was entered into or renewed,  
13 and the former law is continued in effect for that purpose.

14 SECTION 4. This Act takes effect September 1, 2025.