

Client Alert | February 20, 2026

A New Wave of Pay Transparency Laws

Recent legislation in both California and New York City suggests that employee-friendly pay transparency initiatives continue to be a priority in these jurisdictions and others who may follow their lead. Over the past several years, state and local governments across the country have passed laws to provide greater transparency to employees and job applicants about the compensation rate or range for open positions. State and local governments have also passed measures to implement equal pay requirements and require pay data reporting in order to promote fairness in compensation and combat wage discrimination. Multi-state employers should be aware of the new legislation detailed below:

New York City Pay Reporting Bills

In October 2025, the New York City Council passed two bills aimed at requiring private employers with 200 or more employees to report certain pay data to promote wage transparency. Although both of these bills were vetoed by Mayor Adams on November 7, 2025, the New York City Council swiftly voted to override the Mayoral veto on December 4, 2025.

Int. No. 982-A provides that the mayor shall designate an agency within one year of the effective date of the law for the purpose of conducting a pay equity study of the private workforce. The bill also provides that within one year of the designation, the agency must develop a standardized form for covered employers to report pay data. Then, within one year thereafter, employers will be required to submit pay reports and continue to do so on an annual basis. The annual pay report will need to include information on employees' race, ethnicity and gender, corresponding to the categories of information required by the Equal Employment Opportunity Commission in the EEO-1 component 2 reporting requirements for reporting years 2017 and 2018, which may be modified as appropriate (including to add reporting options accounting for diverse gender identities). Covered employers will also need to submit a signed statement by an authorized agent of the employer confirming the timely submission of the pay report and the accuracy of the information contained therein.

Under Int. No. 982-A, the designated agency will annually publish a list on its website of covered employers that are not in compliance with the law. Initially, however, employers not in compliance will first receive notice of noncompliance and will be provided at least 30 days to comply. Covered employers who do not comply will be subject to civil penalties. Specifically, employers will be provided with a written warning for their first offense to the extent that they provide written documentation that the violation has been cured within 30 days. If the employer fails to provide such documentation, however, the employer will be subject to a civil penalty of \$1,000. Any subsequent offense would result in a civil penalty of \$5,000.

The second bill, Int. No. 984-A, provides that within one year after covered employers submit the pay reports, the designated agency will annually conduct a pay equity study to evaluate the data contained in the submitted pay reports to determine whether there are disparities in compensation among employees based on gender and race or ethnicity generally and within certain industries and occupations more particularly. This data will then be published in the aggregate.

The bills took effect immediately; however, employers are not required to submit the pay data until the City creates and finalizes the process for doing so.

Changes to California Labor Laws

California Governor Gavin Newsom recently signed into law California Senate Bill 642, which took effect on January 1, 2026. The new law amends two sections of California's Labor Code in the following ways. First, it amends the definition of "pay scale" under California Labor Code Section 432.3. Under Section 432.3, employers are required to disclose a "pay scale" for an open position in any job posting, or to an applicant or current employee, upon request. Under the prior law, "pay scale" meant "the salary or hourly wage range that the employer reasonably expects to pay for the position." Under the new law, however, the definition of "pay scale" is modified to provide "a good faith estimate of the salary or hourly wage range that the employer reasonably expects to pay for the position upon hire." The new definition calls for the expected wage range to be made in good faith.

Second, the new law makes a number of amendments to California Labor Code Section 1197.5—California's Equal Pay Act. The prior law generally prohibited employers from paying its employees less than the rates paid to employees of the "opposite" sex, for substantially similar work. The new law clarifies that employers are prohibited from paying employees less than those of "another" sex, making the law more inclusive of nonbinary workers. The new law also expands the statute of limitations for an employee to bring a civil action to recover wages for a violation of the law to three years. The prior law provided employees with a statute of limitations of two years, or three years in the event of a willful violation. Now, employees have three years to bring a claim regardless of whether the violation is deemed willful.

The new law further amends Section 1197.5 to provide that the employee may recover lost compensation for the entire period of time in which a violation exists, up to six years. The new law also provides that the terms "wages" and "wage rates" in Section 1197.5 shall include "all forms of pay, including, but not limited to, salary, overtime pay, bonuses, stock, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits." Additionally, the new law details when a cause of action exists under the statute; specifically, when an unlawful compensation decision or practice is adopted; when an individual becomes subject to the unlawful compensation decision or practice; or when an individual is affected by the application of the unlawful compensation decision or practice.

Governor Newsom also signed into law California Senate Bill 464, amending Section 12999 of the Government Code, which requires private employers with 100 or more employees to submit an annual pay data report to the California Civil Rights Department including data on employee race, ethnicity, and sex. Under the new law, covered employers are now required to collect and store separately from employees' personnel records any demographic information gathered for the purpose of submitting the pay data report. The new law also requires a court to impose a civil penalty against an employer that fails to file the report if requested to do so by the California Civil Rights Department. Beginning on January 1, 2027, the number of job categories for purposes of the report will increase from 10 to 23 to allow for greater specification. Instead of the categories "professionals," "technicians," "sales workers," etc., the categories will be "management occupations, except chief executives," "business and financial operations occupations," "computer and mathematical occupations," etc.

Takeaways

Employers should continue to be mindful of equal pay and pay transparency laws. Employers may want to consider reviewing their compensation practices to confirm that employees doing substantially similar work are being compensated consistently with respect to both compensation and benefits and that there are no pay disparities based upon protected characteristics, such as sex. Employers may also want to review their payroll policies and invest in tools to maintain and organize accurate payroll records and data in light of potential reporting requirements.

Key Contacts

Our [Labor & Employment Law](#) team is available to help employers navigate wage and hour compliance issues under both New York and California's wage and hour laws as well as those in other jurisdictions and related federal, state and local regulations and guidance, and to provide counseling and assistance in addressing pay transparency compliance and other employment law issues.

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