

# NEW LIMITED LIABILITY CORPORATION LAW IMPOSES PERSONAL LIABILITY FOR UNPAID WAGES

*Hodgson Russ Labor & Employment Alert*  
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Effective February 11, 2020, the 10 members with the largest percentage ownership in an out-of-state limited liability corporation (LLC) may be held personally liable for unpaid wages arising from work performed in New York State.

In 2014, New York State amended its Limited Liability Company Law to allow laborers, servants, and employees to hold the 10 members with the largest percentage ownership interests in a domestic LLC personally liable for unpaid wages.

In 2017, Governor Cuomo made a series of proposals in his State of the State address designed to crack down on wage theft, including extending personal liability for unpaid wages to members of out-of-state LLCs.

On December 12, 2019, Governor Cuomo signed legislation amending Section 609 (c) of the Limited Liability Company Law to allow laborers, servants, and employees to hold the 10 “largest” members of an out-of-state LLC personally liable for unpaid wages arising from work performed in New York State. According to the Governor in a press release of the same date, “this measure closes a loophole that for too long allowed certain companies to hide behind their complicated corporate structure to avoid wage theft laws currently on the books.”

The new law takes effect on February 11, 2020.

Certain procedural requirements must be met in order to commence an action to recover unpaid wages, for example: an individual seeking to impose personal liability for unpaid wages on an LLC member must place that member on notice.

Any member who receives such a notice should reach out to counsel immediately.

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