



CLIENT ALERT: Maine's Act Regarding the Treatment of Vacation Time upon the Cessation of Employment

May 6, 2022

On April 7, 2022 Governor Janet Mills signed bill [L.D. 225](#) amending Maine law on payout of accrued vacation upon separation. Employers with more than 10 employees will be required to pay their employees at the end of their employment "all unused vacation time accrued pursuant to the employer's vacation policy **on and after January 1, 2023.**" The Act does not apply to public employers or employers with 10 or fewer employees. If there is a collective bargaining agreement in place that addresses the payout of accrued vacation upon separation of employment then the bargaining agreement supersedes the rule.

Right now employers have the option to have a use it or lose it policy on vacation time. If your policy or established practice includes provisions for paid vacation, you will be required to treat the unused vacation at the cessation of employment as wages earned. Failure to pay out the earned wages could result in a costly unpaid wage claim being brought by the employee requiring payment of the earned vacation wages, interest, an additional amount equal to twice the amount of the unpaid vacation, and reasonable attorney's fees.

We have over 6 months before the law takes effect, and inevitably there will be questions that are left unanswered by the new law, particularly how this statute relates to Earned Paid Leave. We hope that the Maine Department of Labor will issue guidance on the new law. We will be providing more information on this new law later in the year.

If you have any questions please contact Peter Lowe at plowe@brannlaw.com.