

LEGAL UPDATE

Court Grants Religious Businesses Exemptions From Title VII for Sex-based Employment Policies

A federal district court in Texas has ruled that businesses with religious owners may be exempt from federal prohibitions against employment discrimination based on sexual orientation or gender identity.

Background on Sex Discrimination and Religion

In its [decision](#), dated Oct. 30, 2021, the Northern District of Texas noted that the U.S. Supreme Court recently ruled in [Bostock v. Clayton County](#) that unlawful sex-based discrimination under Title VII of the federal Civil Rights Act (Title VII) includes discrimination based on sexual orientation or gender identity. The district court also noted that certain religious employers, such as churches, are generally exempt from Title VII in its entirety when they employ individuals based on religious observance, practice or belief.

Decision on Businesses with Religious Owners

The district court held that nonchurch businesses owned by individuals who object to Title VII compliance on religious grounds may be exempt from certain portions of Title VII under the First Amendment to the U.S. Constitution. Specifically, the district court held that these so-called “religious business-type employers” may have workplace policies consistent with their religious beliefs regarding sexual conduct, dress codes and restrooms.

Limited Employer Impact

The Equal Employment Opportunity Commission (EEOC), which enforces Title VII, is likely to appeal the district court’s decision. In addition, the decision only applies within the court’s limited jurisdiction in Texas. Therefore, most employers that are subject to Title VII should monitor the case for ongoing litigation. In the meantime, these employers should continue following [the EEOC’s enforcement guidance](#) on sexual orientation and gender identity.

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Highlights

Title VII: Sex Discrimination

Title VII, which applies to employers with 15 or more employees, prohibits employment discrimination based on sex, including sexual orientation and identity.

First Amendment Exception

A federal court has ruled that businesses owned by religious individuals have a First Amendment right to enforce workplace policies that align with their religious beliefs, even if the policies adversely affect individuals who are homosexual or transgender.

Employers should monitor litigation and continue following EEOC guidance regarding workplace policies on sexual conduct, dress codes and restrooms.