

## Payback Policies Pivot: New York's Trapped at Work Act and Pending Amendments

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On December 19, 2025, New York Governor Kathy Hochul signed S. 4070, the “Trapped at Work Act,” creating Article 37 of the New York Labor Law (Labor Law §§ 1050–1055). The law took effect immediately and sharply restricts “stay-or-pay” arrangements that require workers to repay money if they leave before a specified period.

In response to concerns about the breadth and ambiguity of the Act, the New York Legislature promptly introduced Chapter Amendments (A.9452/S.8822) on January 6, 2026, to clarify the law. The Amendments would narrow the Act’s scope to “employees,” create exceptions for tuition repayment and certain non-educational repayment arrangements, and postpone the Act’s effective date from December 19, 2025, to December 19, 2026. The legislation is currently pending.

UPDATE: The Amendments were signed into law by Governor Kathy Hochul as we [reported here](#).

### Overview of the Act

Under Labor Law § 1052(1), an employer may not require an “employment promissory note” as a condition of employment. An employment promissory note is any agreement or contract term that requires a worker to pay the employer a sum of money if the worker leaves before a stated period of time. The statute expressly includes agreements that characterize the payment as reimbursement for training, whether provided by the employer or a third party.

The Act deliberately incorporates broad definitions:

- An “employer” is defined as any entity that hires or contracts with a worker to perform services, including subsidiaries.
- A “worker” includes employees, independent contractors, interns, externs, volunteers, apprentices, and sole proprietors providing services; the only clear exclusion is individuals whose sole connection is as a vendor of goods.

Despite this breadth, the Act preserves certain repayment agreements, including:

- Repayment of non-training advances from the employer.
- Repayment for property the employer sold or leased to the worker.
- Sabbatical-leave agreements with educational personnel.
- Agreements entered into as part of a collective bargaining agreement.

The Act declares prohibited employment promissory notes “null and void,” but does not clearly address whether this applies to agreements signed before December 19, 2025. It also includes a severability clause, so an unlawful promissory note provision does not invalidate the rest of an agreement.

The New York State Department of Labor (NYDOL) may impose a civil penalty of \$1,000 to \$5,000 per violation for requiring a prohibited employment promissory note, with each unlawful agreement treated as a separate violation. The Act does not create a private right of action, but a worker who successfully defends a lawsuit to enforce a prohibited promissory note may recover attorneys’ fees.

### Key Proposed Changes

The January 6, 2026, Amendments would make the following proposed changes:

- Delay the effective date of the Act until December 19, 2026.
- Limit coverage so that the Act applies only to “employees” (any person employed for hire), rather than all “workers.” Employers could still use promissory notes with independent contractors, externs and interns, volunteers, apprentices, and sole proprietors providing services.
- Clarify the definition of “employment promissory note” to include agreements requiring repayment when the employment relationship terminates before a stated period, not just when an employee voluntarily leaves.

The Amendments would also add two key exceptions:

- Voluntary tuition repayment agreements for “transferable” educational credentials (degrees, diplomas, licenses, certificates, or documented skill proficiencies widely recognized in the industry or enhancing employability). To qualify, the agreement must be in a separate written contract, provide a prorated repayment schedule that is not accelerated upon separation, and not require repayment if the employee is terminated for reasons other than misconduct. Employer-specific training and legally mandated safety or compliance training are expressly excluded from this exception.
- Repayment agreements for financial bonuses, relocation assistance, and other non-educational incentives or benefits that are not tied to specific job performance, so long as repayment is not required if the employee is terminated for reasons other than misconduct or if the employer misrepresented the job’s duties or requirements.

Under the Amendments, the NYDOL would continue to impose penalties of \$1,000 to \$5,000 per violation, but would be directed to consider employer size, good-faith compliance efforts, and the seriousness of the violation when determining the amount. The Amendments do not alter the current rule that there is no

private right of action.

### **Takeaways for Employers**

Since the Amendments are presently only proposals, the Act signed by Governor Hochul on December 19, 2025, remains in effect. New York employers should review and, as needed, revise agreements containing “stay or pay” provisions to ensure compliance with the current law. We will continue to monitor and report on the pending legislation.