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Payback Policies Pivot, Part II: New York's Trapped at Work Act Amendments Signed Into Law

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The bill amending New York's "Trapped at Work Act" (Labor Law Article 37, §§ 1050–1055) has now been signed into law by Governor Kathy Hochul, following its passage by both chambers of the New York State Legislature.

As described in our [earlier alert](#), the Trapped at Work Act—signed on December 19, 2025—took effect immediately and sharply restricted “stay-or-pay” arrangements that required workers to repay money if they left before a specified period. In response to concerns about the Act's breadth and ambiguity, the legislature introduced Chapter Amendments (A.9452/S.8822) on January 6, 2026, to clarify and narrow the law and to delay its effective date. Those Amendments have now been enacted. With the governor's signature, the Amendments significantly refine the Act's scope and operation, alleviating many employer concerns while preserving the statute's core protections for employees.

Recap: Core Features of the Original Act

As initially enacted in December 2025, the Trapped at Work Act barred employers from requiring an “employment promissory note” as a condition of employment. Generally, an employment promissory note is an agreement that obligates a worker to pay money back to the employer if the worker leaves before a stated period of time, and included provisions styled as reimbursement for training provided either by the employer or a third party. The Act broadly encompassed employees, independent contractors, interns, externs, volunteers, apprentices and sole proprietors providing services to employers. The Act permitted certain, narrowly defined repayment arrangements, and prohibited employment promissory notes were deemed “null and void.” The New York Department of Labor enforces the law, and there is no private right of action. A worker who prevails is entitled to their attorneys' fees.

Key Changes in the New Act

The amendments narrow and clarify the Act in ways that directly respond to employer concerns, primarily by changing who is covered, when the law applies, and what repayment arrangements are still permitted. Particularly, the amendments provide:

- **Coverage Limited to Employees:** The law now applies only to “employees,” not the broader category of “workers” that previously included independent contractors, interns, externs, volunteers, apprentices, and sole proprietors.
- **Delayed Effective Date:** The Act’s effective date is pushed back one year, from December 19, 2025, to December 19, 2026. This gives employers more time to review and, if necessary, revise their repayment agreements.
- **Tuition Repayment Exception:** A narrow exception permits tuition repayment agreements tied to “transferable” educational credentials (e.g., degrees, diplomas, licenses, certificates, or widely recognized skill credentials). The repayment agreement must be a separate document, in writing, limited to the employer’s actual costs, prorated without acceleration, and unenforceable if the employee is terminated for reasons other than misconduct.
- **Carve-Out for Common Incentives:** Employers may continue to use repayment provisions for typical bonus, relocation, and other non-educational incentives not tied to specific performance metrics. However, employers cannot require repayment if the employee is terminated for reasons other than misconduct or where the job’s duties or requirements were misrepresented.
- **Refined Enforcement:** The New York Department of Labor still may impose penalties of \$1,000 to \$5,000 per unlawful agreement, but the agency must consider factors such as employer size, good-faith compliance efforts, violation severity, and history of noncompliance. The amendments did not create a private right of action, and enforcement remains with the agency. Employees may still recover attorneys’ fees if they successfully defend a lawsuit to enforce a prohibited promissory note.

Next Steps for Employers

With the amendments now signed and in place, the landscape is shifting, but the underlying compliance work remains the same. New York employers should use the extended runway to review and, as appropriate, revise agreements containing “stay-or-pay” or other repayment provisions to ensure they align with the Act as amended by December 19, 2026.