

LABOR AND EMPLOYMENT

INFORMATION MEMO

JANUARY 14, 2026

No Longer Trapped at Work: What Employers Need to Know About New York's Trapped at Work Act

On Dec. 19, 2025, Governor Kathy Hochul signed the Trapped at Work Act (the Act) into law. This legislation, effective immediately, impacts agreements and policies that require employees to reimburse certain payments if they leave before the passage of a stated period of time.

What Does This Mean?

As a result of the Act, employers can no longer require employees or job candidates to sign an “employment promissory note” (i.e., an instrument, agreement or contract provision that requires a worker to pay the employer a sum of money if the worker leaves such employment before the passage of a stated period of time), as a condition of employment.

This change to New York’s labor law is expansive and applies to any current employment agreements. Any existing agreements with “stay or pay provisions” are void and unenforceable. Looking ahead, future employment agreements that demand these types of payments as a condition of employment will also be unenforceable.

Who Does This Affect?

The Act broadly defines “employer” to include individuals, partnerships, associations, corporations, limited liability companies, trusts, the government and any organized group that hires or contracts with a worker for employment purposes. The term “employer” also includes any subsidiary or entity that is associated with an employer that provides training to workers.

“Worker” is also broadly defined to include an individual who is permitted to work for or on behalf of an employer, including employees, independent contractors, externs, interns, volunteers, apprentices and even sole proprietors who provide services on behalf of an employer.

What Are The Exceptions?

Under the Act, the prohibition on employment promissory notes or agreements specifically allows for the following types of employer reimbursements:

- Repayment of payroll advances unrelated to training.
- Payment for employer provided property sold or leased to the worker.
- Agreements tied to sabbatical leave for educational personnel.
- Programs agreed to under a collective bargaining agreement.

What are the potential consequences for violations?

Employers that do not comply with the Act can face civil penalties from the New York State Department of Labor, ranging from \$1,000 to \$5,000 for each violation. Additionally, attorneys' fees may be awarded to employees who successfully defend against an employer's attempt to enforce a prohibited agreement in court. Importantly, employers should be aware that if these prohibited promissory notes are a part of a larger employment agreement, only the promissory note portion is invalid. This means that the remainder of an otherwise enforceable employment agreement will not be affected.

What's Happening Now?

Upon approving the Act, Governor Hochul flagged ambiguities in the original bill and conditioned her approval on legislative amendments in the next session. On Jan. 6, 2026, the legislature introduced amendments that, if approved by the Governor, would permit the following:

- Create a pathway for employers to seek repayment of tuition, fees and required materials for a "transferable credential" (i.e., widely recognized degrees, licenses, certificates or documented skill credentials that enhance employability across the industry and are not employer-specific)
- Permit repayment of certain nonperformance incentive payments, such as sign on bonuses or relocation assistance, subject to carveouts favoring employees who are terminated for reasons other than misconduct or who were misled about job duties.

This means that, if adopted, employers would be permitted to seek repayment from employees for "transferable credentials" under the amended Act as long as:

- the agreement is memorialized in a separate document;
- the credential is not a condition of employment;
- there is a strict cap on the recoverable amount;
- the agreement provides for prorated amount that will not be accelerated upon separation; and
- no repayment is owed if the employee is terminated, unless they were fired for misconduct.

The amended version of the Act maintains the same penalty range for potential violations of \$1,000 to \$5,000 for *each employee violation*. However, the amended language would require that the Commissioner consider the size of the employer, the gravity of the violation, previous violations and the employer's good faith basis to believe that their actions were compliant when assessing the penalty.

Next Steps

Although the amended legislation is pending, it is crucial that employers remember that the current iteration of the Trapped at Work Act as signed by Governor Hochul on Dec. 19, 2025, is currently effective. Employers should review their existing agreements and practices to ensure compliance to avoid legal exposure. If you have questions about the Trapped at Work Act, please contact **Robert Manfredo**, **Rebecca J. LaPoint**, **Joseph Vogt**, any attorney in **Bond's labor and employment practice** or the attorney at the firm with whom you are regularly in contact.

