LABOR AND EMPLOYMENT
INFORMATION MEMO
FEBRUARY 18, 2026

New York Amends the Trapped at Work Act

On Feb. 13, 2026, Governor Kathy Hochul signed an amended version of the Trapped at Work Act (the Act) into law. When signing the Act in December 2025, Governor Hochul flagged ambiguities in the original bill and conditioned her approval on the Legislature making amendments during the current legislative session. The amended Act resolves these ambiguities and places employers on more balanced footing regarding their obligations under the law.

The Act applies to "employment promissory notes," which the Act defines as any instrument, agreement or contract provision that requires an employee to pay the employer if the employee's employment relationship with a specific employer terminates before a stated period of time passes. The Act provides that requiring an employment promissory note as a condition of employment is unconscionable, against public policy, unenforceable and null and void. However, if an employment promissory note appears within a larger agreement, the remainder of the agreement remains intact.

Key Changes

Definitions of Employer and Employee

The Act now defines "employee" as any person employed for hire by an employer. This definition significantly limits the scope of the Act, as its initial iteration applied broadly to "workers," which included independent contractors and others.

The amendment revised the definition of "employer" to align with the Labor Law's standard definition (i.e., any person, corporation, limited liability company or association that employs any individual) and expressly includes the state and its political subdivisions.

Additional Exceptions

The amended Act clarifies that certain agreements will not be rendered void and unenforceable, including:

- Agreements seeking 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 requirements), provided the agreement contains the specific language discussed below.
- Agreements requiring the repayment of a financial bonus (e.g., sign on bonuses), relocation assistance or other non-educational incentive, payment or benefit that is not tied to specific job performance. However, repayment cannot be required if the employer terminated the employee for any reason other than misconduct or if the employer misrepresented the job's duties or requirements to the employee.

For employers to seek repayment from employees for tuition and educational materials, for "transferable credentials," an agreement between the employer and employee must satisfy the following requirements:

1. the agreement is set forth in a written contract that the employer offers separately from any employment contract;
2. the credential is not a condition of employment;
3. the agreement specifies the repayment amount before the employee agrees to the contract, and the repayment amount does not exceed the actual cost to the employer;
4. the agreement provides for prorated repayment over the required employment period that is proportional to the total repayment amount and the length of the required employment period without accelerating repayment if the employee leaves; and
5. the employer may not require repayment if the employer terminates the employee, unless the employer terminated the employee for misconduct.

Notably, the statute does not define "misconduct." Employers that contemplate seeking repayment on this basis should apply well defined, consistently enforced standards and carefully document termination decisions.

Additional exceptions include: (1) repayment for any property that the employee voluntarily purchased or leased; (2) agreements tied to sabbatical leave for educational personnel; and (3) agreements entered into pursuant to a collective bargaining agreement.

What Happens if Employers Violate the Act?

An employee or prospective employee who is aggrieved under the Act may file a complaint with the Commissioner of Labor. The amended version of the Act maintains the same penalty range of $1,000 to $5,000 for each employee violation. However, the amended language now requires the Commissioner to consider the size of the employer, the gravity of the violation, previous violations, and the employer's good faith basis for believing that the employer's actions were compliant when assessing the penalty. Importantly, each violation constitutes a separate offense, so employers should be aware of the potential financial exposure for repeated violations of the Act.

When is the Amended Law Effective?

The Act, as amended, changes the effective date from "immediately" to one year after the effective date of the 2025 law. Accordingly, the Act becomes effective on Dec.19, 2026.

Next Steps

Although the amended Act is not effective until Dec. 19, 2026, employers should develop a plan to review any potentially affected agreements and policies and make any necessary revisions before the effective date.

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 regularly communicate.