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Legislative Update

New York Amends ‘Trapped at Work’ Act, Extends Effective Date to Provide Employers More Time to Comply

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On Feb. 13, New York Gov. Kathy Hochul signed an amendment to the state’s “Trapped at Work Act” (the Act), which prohibits the use of certain “employment promissory notes” — also known as “stay-or-pay” provisions — that require employees to pay their employer if their employment relationship terminates before the passage of a stated period of time. (See our recent client alert, [‘Trapped at Work Act’ Prohibits NY Employers From Requiring Certain Repayments for Early Departures](#), Dec. 22, 2025.)

The amendment, [A9452](#), modifies the Act in four key respects, including pushing back the effective date to Dec. 19, 2026:

First, the amendment limits the application of the Act to employees and prospective employees. As amended, the Act no longer applies to independent contractors or other workers.

Second, it clarifies the Act’s exceptions. As amended, the Act permits three categories of employment promissory notes:

- **Transferrable Credentials:** The amendment permits employment promissory notes requiring reimbursement for the cost of tuition, fees and educational materials relating to “transferable credentials” (i.e., those that are “widely recognized by employers in the relevant industry as a qualification for employment, independent of the employer’s specific business practices, or that provide[] skills or qualifications that demonstrably enhance the employee’s employability with other employers in the relevant industry.”) Transferable credentials do not include employer-specific or non-transferable training or mandated safety and compliance training. Employment promissory notes requiring reimbursement for the cost of transferable credentials must meet specific requirements: (1) They must be in writing and separate from any employment contract; (2) They must apply to transferable credentials that are not required as a condition of employment; (3) They must specify the repayment amount, which must not exceed the cost of the transferable credential to the employer; (4) They must provide for prorated repayment proportional to the required employment period and must not provide for an accelerated repayment schedule; and (5) They must not require repayment if the employer terminates the employee for any reason other than misconduct.

- **Employer Property:** The amendment also permits employment promissory notes requiring reimbursement for the cost of property the employer sold or leased to the employee on a voluntary basis.
- **Non-educational incentive payments:** Finally, the amendment permits employment promissory notes requiring reimbursement for the amount of any “financial bonus, relocation assistance, or other non-educational incentive or other payment or benefit that is not tied to specific job performance,” such as a sign-on bonus, unless the employer terminates the employee for any reason other than misconduct or misrepresents the duties or requirements of the role.

Third, the proposed amendment allows employees to file complaints with the state’s labor commissioner and permits the commissioner to consider mitigating factors when assessing any penalties for noncompliance. Mitigating factors include the size of the employer’s business, the employer’s good-faith belief that its conduct complied with the law, the gravity of the violation and the history of previous violations. Penalties under the amended Act (\$1,000 to \$5,000 per violation) remain unchanged from the original.

Fourth, the amendment pushes back the effective date of the Act by one year, from Dec. 19, 2025, the date the original bill was signed into law, to Dec. 19, 2026, thereby giving employers some breathing room to adjust to the Act’s requirements.

We do not anticipate any further amendments to the Act, so employers should review their current agreements and practices to ensure compliance in advance of the new effective date. We remain available to answer any questions.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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