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New York's "Trapped at Work Act": What the Amended Law Requires, and When It Takes Effect

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New York employers who use repayment agreements, sometimes called "stay or pay" provisions, should review them now in light of the recent amendments to the New York Labor Law "Trapped at Work Act." which restricts these arrangements. As amended, the Act only applies to employees, not other categories of workers, such as independent contractors, interns, externs, or volunteers, all of whom were covered under the original version, are no longer within its scope.

What Is New York's "Trapped at Work Act"?

The Act bars employers from requiring, as a condition of employment, that an employee or applicant execute an "employment promissory note" requiring the employee to pay the employer a sum of money if the employee leaves before a stated period of time has passed. The prohibition applies regardless of how or why the employment relationship ends.

What Repayment Agreements Are Prohibited?

The amendment added specific and nuanced exceptions that employers should understand before revising agreements:

- **Educational reimbursement.** Agreements requiring an employee to repay the cost of tuition, fees, and required educational materials are permitted where the credential is transferable, subject to conditions.
- **Non-educational incentives.** Sign-on bonuses and relocation assistance remain permissible.
- **Termination for misconduct.** Repayment of certain benefits is allowed where the employee is terminated for misconduct.

How Is the Law Enforced?

An employee or prospective employee may file a complaint with the New York State Department of Labor. Penalties run from $1,000 to $5,000 per violation. When considering resolution, the Commissioner will consider the size of the employer's business, whether the employer believed in good faith that it was in compliance with the law, the gravity of the violation, and the employer's history of prior violations.

When Does the Amended Law Take Effect?

This is the open question. The amendment replaced the original law "effective immediately", with a provision stating that the Act takes effect "one year after it shall have become a law." That phrase supports two readings:

- **December 19, 2026**, one year after the original Act was signed; or
- **February 13, 2027**, one year after the amendment was signed.

Commentators are divided, and the Department of Labor has not resolved the point or published implementing regulations. What is clear is that enforcement will not begin before December 2026.

Reviewing Repayment Agreements Before Enforcement Begins

Employers have a compliance runway rather than an immediate obligation, but the safer course is to plan around the earlier date. Treating December 19, 2026 as the deadline avoids the risk of guessing wrong. Employers should use the intervening months to review offer letters, promissory notes, sign-on bonus and relocation agreements, tuition or training reimbursement arrangements, and to confirm that any repayment obligation fits within one of the Act's exceptions.

The Wilentz Employment Law Team is available to assist employers in reviewing these agreements and preparing for the Act's effective date. Call us today to discuss your existing agreements and ensure your organization is prepared for compliance.

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