

New York Employers Closer to Clarity on Stay-or-Pay Prohibitions: 4 Steps to Prepare

Insights

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New York employers should soon have more clarity on the Empire State's new law targeting "stay or pay" agreements – and more time to comply. The state legislature recently passed amendments designed to address ambiguities and potential overreach in the original statute enacted in December 2025. The Trapped at Work Act, signed by Governor Hochul late last year, was intended to protect worker mobility by prohibiting employment agreements that require employees to repay certain training costs if they leave the job before a specified period. These are known as "stay or pay" agreements. However, the law's broad language raised concerns about its impact on common employment practices, such as repayment of tuition reimbursement, signing bonuses, and relocation packages. The new updates will better define the law's application and carve out exceptions for these and other standard business arrangements. Here's what you need to know about the act and the pending changes as we wait for the Governor's approval.

What Does the Law Do?

NY's Trapped at Work Act prohibits employers from requiring workers to sign agreements that mandate repayment if the worker leaves employment within a specified time period. Notably, this includes agreements requiring reimbursement for training costs. These restrictions apply to both employees and independent contractors, as well as interns, volunteers, and any other individual working on behalf of an employer.

Some types of agreements are excluded from the law, including those that:

- require workers to repay sums advanced by the employer, unless the repayment is related to the worker's training;
- require repayment of property sold or leased to the worker;
- set sabbatical leave conditions for educational personnel; or
- are part of a collective bargaining agreement.

Employers who violate the act face fines ranging from \$1,000 to \$5,000 per violation, imposed by the New York State Department of Labor (NYSDOL). Workers who successfully challenge a prohibited repayment agreement may recover attorneys' fees.

Why Did New York Amend the Act?

The original text created several gray areas, extending its reach beyond the intended scope of protecting workers from training fee repayment. When signing the original law, Governor Hochul noted these ambiguities – particularly around voluntary tuition assistance programs – and announced an agreement with the legislature to amend the law to address them. Both chambers of the New York Assembly passed the amendment, and Governor Hochul is expected to sign it shortly.

What is Changing?

Scope Limited to Employees: The law will now apply to employees only, excluding other non-employee workers.

Delayed Effective Date: Notably, the amendment postpones the act's effective date from December 19, 2025, to December 19, 2026, giving employers more time to update their practices.

Tuition Repayment Exception: Employers are now able to recoup tuition reimbursement expenses if an employee leaves within a certain time, provided that:

- The payment relates to a “transferable credential” – a degree, diploma, license, certificate, course, or other widely recognized qualification in the relevant industry.
- The agreement is in writing and separate from any employment contract.
- Obtaining the credential is not a condition of employment.
- The repayment amount is specified in advance and does not exceed the employer's actual costs.
- Repayment is prorated over the required employment period, with no accelerated repayment if the employee leaves early.
- Repayment is not required if the employee is terminated by the employer, unless it's for misconduct (which is not defined in the amendment).

Carveout for Non-Training Agreements: Under the amendment, employers can still require employees to repay financial bonuses, relocation assistance, or non-education incentives if they are not tied to specific job performance. But the employer can't recoup the expenses if the employment is terminated for reasons other than misconduct or misrepresentation of job duties.

Additional Enforcement Mechanism: Employees may submit complaints to the NYSDOL. The amendment also specifies factors when assessing fines, including employer size, good-faith compliance efforts, violation severity and history of noncompliance.

Next Steps for Employers

While the act in its original form has been effective since December 19, 2025, employers will have until December 19 this year to prepare for compliance, assuming the amendment is signed. Employers should use that time to evaluate existing repayment agreements or policies. Consider taking the following steps:

1. Audit and review any offer letters, employment contracts, onboarding documents, bonus agreements, or any documents with a repayment provision.
2. Review training programs and related agreements to ensure no prohibited repayment obligations exist.
3. Assess tuition reimbursement policies and revise any related agreements to comply with the new carveout requirements.
4. Confirm compliance with the act for any programs collectively bargained between the employer and its employees' unions.

Conclusion

We will continue to monitor developments on this bill, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information directly to your inbox. If you have questions, contact your Fisher Phillips attorney, the authors of this Insight or any attorney in our [New York City office](#).

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