

## New York Enacts Trapped at Work Act, Restricting Stay-or-Pay Agreements, by Solomon Abramov, Esq. and Keith Gutstein, Esq., 12-29-2025

New York State Governor Hochul has signed into law the Trapped at Work Act, a measure aimed at restricting employer use of “stay-or-pay” employment promissory notes and training repayment provisions that can trap workers in unwanted jobs.

The law took effect immediately upon signing and adds a new Article 37 to the New York Labor Law.

The purpose of this legislation (S4070B/A584C) is to prohibit employers from requiring workers or applicants, as a condition of employment or continued employment, to enter into “employment promissory notes” as defined in the statute.

### Key Provisions

An employment promissory note is defined in the statute as “any instrument, agreement or contract provision that requires a worker to pay the employer, or the employer’s agent or assignee, a sum of money if the worker leaves such employment before the passage of a stated period of time.” It includes “any such instrument, agreement or contract provision which states such payment of moneys constitutes reimbursement for training provided to the worker by the employer or by a third party.”

A “worker” includes an employee, independent contractor, extern, intern, volunteer, apprentice, and sole proprietor who provides a service or services to an employer.

Notably, the legislation does not prohibit any agreement between a worker and an employer that:

- Requires the worker to repay to the employer any sums advanced to the worker by the employer, provided the advance is not for training costs.
- Requires the worker to pay the employer for any property it has sold or leased to the worker.
- Requires educational personnel to comply with any terms or conditions of sabbatical leaves granted by their employers.
- Is entered into as part of a program agreed to by the employer and its workers’ collective bargaining representative.

### Penalties

Employers who violate the law may be subject to civil penalties ranging from \$1,000 to \$5,000 per violation. A worker sued to enforce a void promissory note may recover reasonable attorney’s fees upon successful defense.

### Next Steps for Employers

With the law passed, employers may want to consider the following steps:

- **Conduct a contract audit:** Review all existing employment agreements, training policies, and onboarding documentation for clauses that require repayment of training expenses, bonuses, or liquidated damages linked to job tenure.<sup>2</sup>
- **Update agreement templates:** Remove or revise any provisions requiring repayment if a worker leaves before a set time, including training repayment clauses, unless the obligation falls within a statutory exception.
- **Review retention strategies:** Shift focus toward positive incentives, such as career development or additional training opportunities, instead of punitive repayment clauses.<sup>2</sup>

- Train HR and legal teams: Ensure relevant staff are aware of these new restrictions and empowered to implement compliant policies.<sup>2</sup>

#### Broader Context

New York's action reflects growing scrutiny of TRAPs by state lawmakers, the Federal Trade Commission, and the Department of Labor, all of which view such mechanisms as potential restraints on worker mobility.

If you have any questions about the proposed legislation, please contact Kaufman Dolowich's team of skilled labor and employment attorneys.

**Authors: Long Island Partner Solomon Abramov and Keith J. Gutstein, Chair of KD's Labor and Employment Law Practice Group and Co-Managing Partner of the Long Island Office**