ENGAGE PEO

Client Alert

New York: Recent Amendments to Trapped at Work Act

WHAT'S NEW: As previously addressed here, New York Governor Kathy Hochul signed into law the "Trapped at Work Act," which was set to take effect on December 19, 2025. In February 2026, the Governor signed into law amendments clarifying the Act's scope as well as extending its effective date to **December 19, 2026**.

WHY IT MATTERS: The Trapped at Work Act renders void and unenforceable most provisions that obligate an employee to repay certain funds to the employer if the employee separates from employment before a stated period. There were several grey areas in the initial version of the law which the amendments aim to erase.

In addition to extending the effective date of the law, important updates to the act are as follows:

- The amendments make clear that the law is only applicable to employees.
- The amendments remove the somewhat elusive language allowing repayment agreements "for sums advanced to such worker by the employer, unless such sums were used to pay for training related to the worker's employment with the employer."
- New language was included which allows repayment agreements related to the cost of tuition, fees, and required educational materials for a "transferable credential." A transferable credential is one in which the employee receives a degree, diploma, license or certificate that is widely recognized in the relevant industry as a qualification for employment. A transferable credential would ultimately enhance an employee's employability with other employers.
- Employer-specific training on proprietary processes, systems or internal policies does not lead to a transferable credential. Nor do safety and compliance training, or other training required by law.
- Any repayment obligation tied to a transferable credential must meet certain conditions:
  - The agreement must be set out in a written contract separate from any employment agreement.
  - Obtaining the credential must not be a condition of employment.
  - The agreement must specify the repayment amount in advance and the amount cannot exceed the actual costs incurred by the employer.
  - If a service period is required, there must also be included a proportional, pro-rated repayment schedule that is not accelerated upon separation.
  - Repayment cannot be required if the employee is terminated for any reason other than misconduct.
- Employers may require repayment of signing bonuses or relocation assistance if the employee is terminated for misconduct or the job duties were misrepresented to the employee.

WHAT EMPLOYERS SHOULD DO: Most New York employers have likely already reviewed all policies, practices and contract provisions and revised them to account for the new prohibitions with regard to repayment agreements.

The recent amendments provide clarity pertaining to the limited and narrow exceptions within the Act. And they also provide employers additional time to review and consider options. Employers seeking to utilize repayment agreements should seek guidance from counsel to determine whether any exceptions properly apply and to ensure all conditions are met.

If you have any questions, please contact your HR Business Partner/Consultant.