

What You Need to Know About New York's Stay-or-Pay Law

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January 12, 2026

In conjunction with our federal and New York State labor and employment [2025 Review and 2026 Outlook](#), we focus here on one of the key developments under New York law. At the end of 2025, New York enacted a Stay-or-Pay prohibition called the Trapped at Work Act. The Act prohibits employers from requiring workers to pay the employer in certain instances if the worker leaves the employer within a certain period of time.

In this article, we discuss the Trapped at Work Act and analyze its implications as more states consider similar Stay-or-Pay laws.

What Is the Trapped at Work Act?

The Trapped at Work Act was signed into law by Governor Kathy Hochul on December 19, 2025. The Act broadly defines employer to include anyone who hires or contracts with workers. Similarly, the Act applies to all workers, including employees, independent contractors, interns, and volunteers.

The Act, effective immediately, restricts employers from requiring workers to enter into an "employment promissory note" as a condition of employment. "Employment promissory note" includes "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."

Significantly, there are limited categories of payments or repayments excluded from the Act. Expressly excluded from the Act are agreements between a worker and employer that:

- require the worker to repay to the employer any sums advanced to the worker by the employer, unless such sums were used to pay for training related to the worker's employment;
- require the worker to pay the employer for any property it has sold or leased to the worker;
- require educational personnel to comply with any terms or conditions of sabbatical leaves granted by their employers; or
- are entered into as part of a program agreed to by the employer and its workers' collective bargaining representative.

The Act does not grant workers a private right of action for violations, but the New York Department of Labor is authorized to impose civil penalties up to \$5,000 per violation.

The Impact for Employers

The Trapped at Work Act comes on the heels of California and Colorado enacting similar legislation.

You can find more information about the California Stay-or-Pay law [here](#).

Employers should remain vigilant about other states proposing or enacting similar laws. The impact of these Stay-or-Pay laws may limit an employer's ability to enter into employment-related advances, clawback provisions, or repayment agreements. While the Trapped at Work Act is unlikely to prohibit forgivable loans, incentive structures, or sign-on bonuses, employers should be aware that other state laws may impose stricter restrictions or be less clear about what is prohibited.

For any questions about the New York Trapped at Work Act or other Stay-or-Pay laws, please contact the labor and employment team at Kelley Drye.