

The NY Trapped at Work Act and its Impact on New York Employers



By [Jessica A. Buffamonti](#)

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Employers who have agreements in place with employees to repay certain advance payments should begin reviewing those agreements for compliance with the NY Trapped at Work Act (the “Act”), which will become effective on February 13, 2027.

The Act is applicable to all agreements signed on or after December 19, 2025. The Act prohibits New York employers from requiring workers to repay certain advance payments or any sums of money if employees leave employment before a stated period of time. The Act contains certain exceptions, including costs for transferable credentials and non-educational incentives.

The Act provides a carve-out for employer reimbursement for the costs of a “transferable credential.” A “transferable credential” is defined as a degree, license, or certificate that evidences skill or proficiency and is relevant to employers throughout an industry, yet different from employer-specific training and any training mandated by local, state, or federal law.

The Act permits an agreement that “requires the employee to reimburse the employer for the cost of tuition, fees, and required educational materials for a transferable credential” provided that the agreement is set forth in a writing separate from an employment agreement; does not require the employee to obtain a transferable credential as a condition of employment; specifies the repayment amount before the employee consents to the agreement (so long as the repayment amount does not exceed the cost of any tuition, fees, and educational materials); provides for prorated repayment during the repayment period and does not require an accelerated payment schedule; and does not require repayment if the employee is terminated, unless the employee is terminated for misconduct.

The Act also carves out agreements requiring an employee to “repay a financial bonus, relocation assistance, or other non-educational incentive or other payment or benefit that is not tied to specific job performance, unless the employee was terminated for any reason other than misconduct or the duties or requirements of the job were misrepresented to the employee.”

If an employer violates the Act, it may be subject to civil penalties ranging from \$1,000 to \$5,000 per violation levied by the New York State Department of Labor (NYSDOL), with the actual penalty dependent on a number of factors, including employer size, gravity of the violation, history of previous violations, and employer’s good-faith efforts to comply with the Labor Law. There is, however, a silver lining—employees do not have a private right of action in state civil courts for damages under the Act.

Although the effective date is February 13, 2027, employers should begin to evaluate their agreements—including employment contracts and compensation agreements—for compliance with the Trapped at Work Act in 2026.

If you have any questions about the New York Trapped at Work Act or any other state and federal labor and employment law matters, please contact a member of our [Employment Practice Team](#).

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[Jessica A.
Buffamonti](#)
[Associate](#)



[Amy Habib Rittling](#)
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