

New York Passes and Amends the “Trapped at Work Act”

March 24, 2026

PRACTICES Employee Benefits and Executive Compensation

New York legislators recently passed and amended the “Trapped at Work Act” which provides limits on certain types of repayment agreements (sometimes referred to as clawback arrangements) that New York employers may enter into with employees if an employee leaves for any reason before a stated period of time (the “**New York Act**”). Specifically, the New York Act includes the following requirements with respect to employee repayment agreements:

- **Signing Bonuses and Relocation Payments:** Employers may require repayment of certain payments that are not tied to performance, such as signing bonuses and relocation assistance payments, provided that such repayments are prohibited if (i) the employee is terminated by the employer for any reason other than misconduct or (ii) the duties or requirements of the job were misrepresented to the employee.
- **Education Reimbursements:** Agreements concerning certain repayment of fees spent on “transferable credits” (e.g., tuition, educational materials, etc.) are permitted, subject to the **following conditions:** (i) the repayment provisions are made pursuant to a separate written agreement, (ii) the transferable credits are not a condition of employment, (iii) the repayment provisions are disclosed to the employee in advance and do not exceed the employer’s costs, (iv) the repayments are proportionally prorated over the required employment period without acceleration provisions, and (v) the repayment is not required to be repaid if the employee is terminated by the employer, other than for misconduct.
- **Sales/Leases:** Agreements requiring the employee to repay the employer for any property sold or leased to the employee are permitted, provided that such sale or lease was voluntary. Further guidance is required with respect to clawbacks of equity arrangements as the statute is generally silent on such compensation.
- **Union Agreements:** Agreements entered into as part of a program agreed upon by the employer and the employee’s collective bargaining representative are permitted.

An employee or prospective employee who is aggrieved by a violation under the New York Act may file a complaint with New York’s labor commissioner, but the statute does not provide a private right of action. However, fines of \$1,000 to \$5,000 per violation can be imposed by the state.

The New York Act is effective February 13, 2027 and is available [here](#). New York employers should coordinate with their employment and benefits counsel to understand how the New York Act may impact their employee repayment arrangements.