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Bill Amending New York State's "Stay or Pay" Law Introduced in Legislature

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A bill amending New York State's recently enacted "stay or pay" law has been introduced in the State legislature.

As we previously reported, on December 19, 2025, Governor Kathy Hochul signed into law the Trapped at Work Act which, effective immediately, prohibits employers from requiring as a condition of employment that any current or prospective worker execute an "employment promissory note." The Act's restriction covers "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," including any provision stating that such repayment "constitutes reimbursement for training provided to the worker by the employer or by a third party." However, the Act contains certain exclusions, including agreements that require a worker to repay the employer any amounts advanced to the worker, unless the amounts were used to pay for required training.

The newly proposed amendments (A.9452/S.8822) follow Governor Hochul's statement in her bill signing memo in which she expressed concerns about ambiguities in the Act as enacted and indicated that the state legislature had agreed to consider chapter amendments.

The amendments as presently drafted would expressly carve out any agreement that "requires the employee to reimburse the employer for the cost of tuition, fees, and required educational materials for a transferable credential" where the agreement:

- is set forth in a written contract that is offered separately from any contract for employment;
- does not require the employee to obtain the transferable credential as a condition of employment;

- specifies the repayment amount before the employee agrees to the contract, and the repayment amount does not exceed the cost to the employer of the tuition, fees, and required educational materials;
- provides for prorated repayment during the repayment period proportional to the total repayment amount and does not require an accelerated payment schedule if the employee separates from the employment; and
- does not require repayment if the employee is terminated, unless terminated for misconduct.

The proposed amendments would define a "transferable credential" as a degree, license, certificate, etc. that evidences skills or proficiency that is relevant to employers generally throughout an industry and would distinguish it from both: (a) training that is employer-specific (such as training on an employer's proprietary systems or processes or other instruction that does not qualify an employee for a new title, classification, credential, etc.); and (b) training that is mandated by federal, state or local law.

Notable for employers that offer signing bonuses, retention bonuses, and the like, the proposed amendments would also specifically carve out any agreement 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."

Together, the above two carveouts would address many of the open questions that employers have been expressing about the intended scope of the existing law.

The proposed amendments would further:

- limit the scope of covered individuals under the Act from the current "worker" (which presently includes not only employees but also independent contractors, interns, externs, and volunteers) to only "employee," which would be defined as "any person employed for hire by an employer in any employment"; and
- make the Act take effect one year after "it shall have become a law."

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We will continue to monitor legislative developments that may affect interpretation or implementation of the Act.

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