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Insights Into the New 2026 Employment Laws for New York Employers – and Update

WRITTEN BY

Richard Reibstein | Jessica X.Y. Rothenberg

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New York enacted several new employment laws that went into effect at the end of 2025 or will take effect in early 2026. These laws include a prohibition on employment promissory notes as a condition of employment, increases to the minimum wage and exempt salary threshold, a codification of disparate impact discrimination, and the prohibition on the use of credit checks for employment purposes. In addition, New York City expanded its Earned Safe and Sick Time Act (ESSTA) in several key respects. These collectively add a considerable burden on employers with employees in New York but, if steps are taken to meet or sidestep these new laws, companies can avoid needlessly exposing themselves to workplace liability.

Prohibition on "Employment Promissory Notes" as a Condition of Employment

The Trapped at Work Act, effective December 19, 2025, prohibits employers from requiring as a condition of employment what is referred to in the act as "employment promissory notes." The new law defines that term as any agreement that requires a worker to pay the employer money if the worker leaves the job before the expiration of a specified time period. A common type of employment promissory note is an agreement that requires an employee at the time of hiring to repay training costs if the employee voluntarily resigns before a particular anniversary (typically no less than six months and sometimes as long as 18 to 24 months).

The Trapped at Work Act not only applies to new employment promissory notes, but also to existing "stay or pay" agreements, which the law now treats as void and unenforceable.

The act protects not only employees, but also independent contractors, interns, and volunteers.

The act includes the following exceptions for certain types of repayment agreements entered into as a condition of employment: payroll advances and similar agreements for sums advanced to the worker by the employer (except for training costs); for property sold or leased to the worker; sabbatical leave agreements for educational employees; and agreements entered into with the worker's collective bargaining representative.

The new law provides for fines of $1,000 to $5,000 per violation, which would be issued by the New York Department of Labor. Although there is no private right of action, if a worker successfully defends a lawsuit by an employer to enforce an unlawful employment promissory note, the worker can recover attorneys' fees.

The statutory language is unclear as to the full scope of the term “employment promissory note.” For example, a sign-on bonus repayment agreement and a retention bonus repayment agreement may be outside the coverage of the act, especially where entered into outside of a condition of employment or where entered into voluntarily by the employee. In addition, the act is unclear as to whether it covers repayment arrangements for tuition assistance for certain degrees, licenses, or certificates that enhance employability within the industry generally. The governor, in approving the new law, flagged these ambiguities and conditioned her approval on legislative amendments in 2026. In the meantime, employers may wish to couch such agreements in one or both of those contexts to sidestep the applicability of this new law.

February 23, 2026, update: The following is an update to our discussion of the new law governing employment promissory notes.

New York recently amended the Trapped At Work Act, making several key changes at the request of Governor Kathy Hochul. First, the law’s effective date has been postponed to December 19, 2026, extending the original effective date by one year. The legislature also amended the act’s coverage — while it originally protected employees, independent contractors, interns, and volunteers, the act is now limited to only employees.

The amendments also clarify that repayment agreements for tuition, fees, and educational materials relating to “transferable credentials” are permitted. Transferable credentials are defined as degrees, licenses, certificates, and other demonstrations of proficiency that are widely recognized by employers as a qualification for employment that is independent of the employer’s specific business practices or that enhance the employee’s employability with other employers in the relevant industry. Such a repayment agreement (1) must be in writing, separate from an employment contract; (2) must specify the repayment amount and provide for pro-rated repayment during any required employment period; (3) cannot require accelerated payment if the employee separates employment; and (4) cannot require repayment if the employee is terminated for any reason other than misconduct. The amendments also clarify that employers are permitted to enter into repayment agreements for a financial bonus, relocation assistance, or other noneducational incentive or other payment or benefit that is not tied to specific job performance. However, repayment cannot be required if the employee is terminated for any reason other than misconduct, or if the duties or requirements of the job were misrepresented to the employee.

Finally, the amendments give aggrieved employees the right to file a complaint with the New York commissioner of labor.

Increase to Minimum Wage and Exempt Salary Threshold

Employers in New York are well aware that the minimum wage rate has increased. Effective January 1, 2026, the minimum hourly rate increased to $17 per hour for New York City as well as Nassau, Suffolk, and Westchester counties, and $16 per hour for all other parts of the state. Most employers are also aware that the weekly exempt salary threshold for administrative and executive employees increased to $1,275 per week ($66,300 per year) for New York City and Nassau, Suffolk, and Westchester counties, and to $1,199.10 per week ($62,353.20 per year) for all other parts of the state.

This increase may impact a number of workers who were classified as exempt in 2025 when the threshold for exemption was about $2,000 less per year. Notably, if an employer chooses not to increase the worker’s salary to

at least the threshold, the worker must then be paid on an hourly basis, with overtime pay for all hours worked over 40 in a workweek. Such a change may also implicate the state's pay notice law, in which case an employer should provide the worker with a new pay notice under Labor Law section 195(2), and adjust the pay stub information to account for hours worked, including any overtime hours worked. A failure to do so may expose the employer to a $5,000 penalty per worker under the wage notice law and a separate $5,000 penalty per worker for a pay stub that does not account for regular and overtime hours.

Codification of Disparate Impact

Effective December 19, 2025, the New York State Human Rights Law was amended to codify the disparate impact theory of discrimination. As such, under the Human Rights Law, "an unlawful discriminatory practice may be established by a practice's discriminatory *effect*, even if such practice was not motivated by a discriminatory intent." Although Title VII of the Civil Rights Act of 1964 recognizes disparate impact claims, President Donald Trump has directed the Equal Employment Opportunity Commission to cease pursuit of such claims under Title VII, so the federal status of disparate impact claims is uncertain.

Essentially, this amendment to the Human Rights Law is not a change in the law, but rather simply a statutory codification and reaffirmation of existing law.

Prohibition on Use of Consumer Credit Checks in Employment Decisions

Effective April 18, 2026, pursuant to an amendment to the New York Fair Credit Reporting Act, employers will no longer be permitted to request or use consumer credit history (including credit reports, credit scores, and bankruptcies, liens, or judgments) of an applicant or employee for employment decisions.

The new law provides for some exceptions in the private sector, including when an employer is required by a government agency to use credit history for employment purposes, and for positions that: have signatory authority over third-party funds or assets of $10,000 or more; involve a fiduciary responsibility to the employer with the authority to enter financial agreements of $10,000 or more; have regular access to trade secrets (provided the person is not in a non-clerical position): and allow modification of digital security systems to prevent the unauthorized use of networks or databases of the employer or the employer's client.

Since 2015, New York City law prohibits most employer credit checks under the Stop Credit Discrimination in Employment Act. A number of the exemptions under this new state law amendment to the state's Fair Credit Reporting Act closely mirror those under City law. New York City employers must therefore continue to apply the law with the greater employee protection. Thus, as a practical matter, New York City employers may not need to change their current practices when the state law becomes effective.

Does this new state law amendment apply to employers who seek employees from New York for work located out of state? The law is unclear, but prudent employers may be wise to refrain from requesting or using consumer credit history and information for any applicant that lists their address within the State of New York.

Expansion of New York City Earned Sick and Safe Time Act

Effective February 22, 2026, an amendment to the ESSTA will require city employers to provide employees with 32 hours of unpaid safe and sick time *immediately upon hire and at the start of each calendar year*. This imposes a significant burden on employers, as the 32 hours is in addition to the existing requirements for 40 or 56 hours (depending on employer size) of paid safe and sick time per year. In contrast to the accrual method, which only allows employees to take time that they have earned, all employees will now be entitled to 32 unpaid hours immediately upon hire and each year. The law does not provide for proration based on hire date, so even an employee hired in December is granted the full 32 hours. Employers cannot impose any waiting period for usage. Just as with paid time, the unpaid time must be tracked (amount used and amount available) and included on pay stubs, or otherwise provided to employees each pay period.

The amendment does provide some relief for employers — it eliminates the requirement under the New York City Temporary Schedule Change Law that requires employers to allow two schedule changes for certain personal events.

The law also provides that the 32 hours of unpaid time can only be used if paid sick and safe time is unavailable (presumably because the employee either has not accrued sufficient time or has reached the employer's annual use cap), or if the employee has specifically requested to use the unpaid leave. In other words, a general request for sick and safe leave defaults to the use of paid leave, if available.

In addition, employers are not required to permit employees to carry over from year to year any accrued but unused unpaid leave. Employers may also require unpaid leave be used for no less than four hours in a single day.

The qualifying reasons for which ESSTA can be used will also be expanded under the amendment to include:

- Caregiving for a minor child or care recipient, which is defined as a person with a disability (including a temporary disability) who is the caregiver's family member or resides in the caregiver's household, and relies on the caregiver for medical care or to meet the needs of daily living;
- Pursuit of subsistence benefits or housing for the employee, a family member, or care recipient; and
- A "public disaster" resulting in closure of the employee's workplace, child's school or childcare provider, or a directive from public officials to remain indoors or avoid travel.

ESSTA currently covers reasons stemming from a "public health emergency." Thus, this amendment expands that reason to cover a broad range of "public disasters" including fires, explosions, terrorist attacks, severe weather, or other emergencies declared by the president, New York governor, or New York City mayor.

Conclusion

Employers should review relevant policies and procedures (pay practices, background checks, sick leave policies, and any employee agreements with repayment provisions) to ensure they comply with the recent changes. You may also reach out to your Troutman Pepper Locke employment counsel for assistance in complying with these new workplace obligations.

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