



Subject: By Order of the Court . . .

Garnishing an employee's wages can be inconvenient, but there is little you can do about it.

When one of your employees fails to pay a debt or owes the government money, a court may issue an order to withhold income, which means your company takes money from the employee's paycheck and forwards it to the debtor. **Courts typically order garnishments on, among other debts, child support, unpaid taxes, and defaulted student loans.**

When your company receives a garnishment order, federal and state laws kick in to protect the employee. For example, Title III of the federal Consumer Credit Protection Act prohibits your company from firing an employee whose wages are garnished for just one debt. The law applies to wages, salaries, commissions, bonuses, and income from a pension or retirement program, but does not ordinarily include tips.

Employers who willfully violate federal law face fines of as much as \$1,000, a year in prison or both.

Here is a basic look at how a garnishment works:

- Garnishment is limited to an employee's disposable earnings, which is the amount left after deducting state, federal, and local income tax, Social Security tax, state Unemployment Insurance, and retirement deductions if required by law.
- Disposable earnings do not include voluntary deductions such as insurance premiums, union dues, charitable contributions, savings bonds, or retirement contributions.
- Regardless of how many garnishment orders your company receives for one employee, federal law limits the amount it can withhold in a workweek to either 25 percent of disposable earnings or whatever an employee earns that exceeds 30 times minimum wage, whichever is less.

There are exceptions, however. For example, your company:

- Cannot garnish wages if disposable earnings are less than the minimum wage.
- Can be required to withhold an additional five percent for support payments that are more than 12 weeks in arrears.

However, garnishment restrictions do not apply to certain bankruptcy court orders, or to debts due for federal or state taxes. States may set lower limits than federal law, set rules on the entities that can garnish from paychecks and limit the reasons for a garnishment.

If your company receives a garnishment order that appears counter to federal or state law, get professional advice. It's your company's responsibility not to garnish too much, or too little, and to let the court know if your organization cannot legally comply with a garnishment order.

If you have any questions about garnishments and/or AccuPay's services, AccuPay's certified payroll experts use their knowledge and excellent software to assist our clients with garnishment questions and calculations. **Call us at 317-885-7600.**

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