

Employer Deductions: Questions & Answers

Q. What can an employer legally deduct from the wages of employees?

A. Under Oregon law, employers may legally deduct the following from employee wages:

- Deductions required by law such as taxes or garnishments.
- Deductions that are for the employee's benefit such as health insurance premiums. The employee must sign a written authorization and the deductions must be recorded in the employer's books and records.
- Other deductions authorized by the employee in writing as long as the employer is not the ultimate recipient of the money, such as charitable contributions.
- Deductions authorized by a collective bargaining agreement to which the employer is a party.
- Deductions for processing garnishments under ORS 18.736 (fee cannot be collected if garnishment is 25% of disposable earnings).
- A deduction from a final paycheck for a cash loan to an employee, if the employee has voluntarily signed a loan agreement, and the loan was for the employee's sole benefit. A deduction from the final paycheck for repayment of a loan may not exceed 25 percent of the employee's disposable earnings OR the amount of disposable earnings in excess of \$170 per week whichever is less. Disposable earnings are generally net earnings after tax deductions and family support withholdings. See ORS 652.610(3)(e), ORS 23.185, ORS 110.300 to ORS 110.441, ORS 419B.408, and ORS 419C.600. More detailed questions should be directed to an attorney.

Q. Can an employer deduct for till shortages and bad checks taken contrary to company policy?

A. No. Payroll deductions may not be taken for these purposes.

Q. What can an employer do if an employee experiences till shortages or accepts bad checks?

A. Employers should communicate policies and procedures clearly to employees. Employees who fail to follow procedures may be subject to disciplinary action. It is unwise to assume that an employee has been dishonest; however, discipline up to and including termination may be taken if an employee does not follow policies. The violations could be characterized as "failure to balance till accurately," or "failure to follow company policy

requiring appropriate identification when accepting checks."

Q. If an employee is negligent and destroys company property, can an employer deduct the value of that property from the paycheck?

A. No. Payroll deductions may not be made for this purpose. Disciplinary action may be taken and the employer could pursue reimbursement for damages through the court system.

Q. Are payroll deductions allowed if an employee admits to stealing or negligence and agrees in writing to pay the money back through payroll deductions?

A. No, a signed authorization would not be valid since this type of deduction is not permitted by statute.

Q. Can an employer deduct for the purchase of uniforms or tools?

A. No. Payroll deductions may not be taken for any item required to perform the job.

Q. Can an employer require employees to purchase uniforms or tools that are required to perform the job?

A. Minimum wage employees may not be required to purchase these items. The only exception to this rule is the requirement of a "generic uniform" which a minimum wage employee may be required to provide. An example of a generic uniform is a black skirt/pants and white blouse/shirt suitable for street wear. Payroll deductions are not permitted.

Employees who receive more than minimum wage may be required to purchase required items as long as a purchase does not take an employee below minimum wage in the pay period in which it was purchased. Also, the cost of the item may not be averaged over more than one pay period. Again, payroll deductions are not permitted.

Q. Can an employer take payroll deductions for meals and lodging?

A. Yes, when meals and lodging are for the private benefit of the employee. In that case, meals and lodging purchased by the employer may be deducted from the paycheck as long as the employee has voluntarily signed an authorization.

When the employee lives on the employer's premises as a job requirement, lodging is not for the employee's private benefit. In this case minimum wage must be paid in addition to the value of the lodging. As long as minimum wage is not violated, the employee may authorize payroll deductions for lodging.

Q. Whom does an employer contact for information regarding deductions for tax withholdings required by law?

A. Contact the [Oregon Department of Revenue](#) (state withholdings), (503) 378-4988, or the [Internal Revenue Service](#) (federal withholdings), (503) 221-3960.

Q. Are payroll deductions permitted if an employer loans an employee money to purchase tools, equipment, or any items that are required to perform the job?

A. No. However, employees may be required to purchase these items in cash as long as the purchase does not reduce the employee below minimum wage in the pay period.

Q. Is the answer different if the employee owns the items when employment terminates?

A. No. The deduction is still prohibited.

Q. Can an employee authorize the employer to deduct regular payments for items purchased from the employer for the employee's personal benefit? Examples: Items charged when the employer is a retailer; hospital stays and procedures when the employer is a hospital.

A. Yes, as long as the items are for the benefit of the employee and the deduction authorization is signed.

Q. Can an employer deduct for processing garnishments?

A. Yes. an employer may collect a \$1 processing fee for each week of wages under ORS 18.735. This fee must be collected after the last payment is made under the writ. Remember, this fee may not be collected if withholding the fee would take them below 25% of disposable earnings.

The Technical Assistance for Employers unit offers employer seminars, handbooks, and other materials covering a number of topics. For additional information, visit our website at www.oregon.gov/boli/ta or call our Employer Assistance line.

**Technical Assistance for Employers
Bureau of Labor and Industries
800 NE Oregon Street, Suite 1045
Portland , OR 97232
971-673-0824**

www.oregon.gov/boli

These materials were prepared as a general summary and teaching guide. The mission of the Technical Assistance for Employers Program is to promote compliance with civil rights and wage and hour laws through education. Technical Assistance does not provide legal advice. In order to determine the legality of any matter or to protect your legal rights, you should contact an attorney. Check the yellow pages of your telephone directory or contact the Oregon State Bar Lawyer Referral Service at 1-503-620-0222 or 1-800-452-7636. THIS INFORMATION IS AVAILABLE IN AN ALTERNATE FORMAT.