

## Fact Sheet #30: The Federal Wage Garnishment Law, Consumer Credit Protection Act's Title III (CCPA)

This fact sheet provides general information concerning the limits on the amount that may be withheld from a person's earnings under the CCPA and the CCPA's protection from termination because of garnishment for any single debt.

### Wage Garnishments

A wage garnishment is any legal or equitable procedure through which some portion of a person's earnings is required to be withheld for the payment of a debt. Most garnishments are made by court order. Other types of legal or equitable procedures for garnishment include IRS or state tax collection agency levies for unpaid taxes and federal agency administrative garnishments for non-tax debts owed the federal government.

Wage garnishments do not include voluntary wage assignments—that is, situations in which employees voluntarily agree that their employers may turn over some specified amount of their earnings to a creditor or creditors.

### Title III of the CCPA's Limitations on Wage Garnishments

Title III of the CCPA (Title III) limits the amount of an individual's **earnings** that may be garnished and protects an employee from being fired if pay is garnished for only one debt. Title III is administered by the U.S. Department of Labor's Wage and Hour Division and applies in all 50 states, the District of Columbia, and all U.S. territories and possessions. Title III protects everyone who receives personal earnings.

Questions over issues other than the amount being garnished or termination should be referred to the court or agency initiating the garnishment action. For example, questions regarding the priority given to certain garnishments over others are not matters covered by Title III and may be referred to the court or agency initiating the garnishment action. The CCPA contains no provisions controlling the priorities of garnishments, which are determined by State or other Federal laws. However, in no event may the amount of any individual's disposable earnings which may be garnished exceed the percentages specified in the CCPA.

### Definition of Earnings

The CCPA defines earnings as **compensation for personal services**, which includes:

- wages,
- salaries,
- commissions,
- bonuses, or
- other compensation—including periodic payments from a pension or retirement program, or payments from an employment-based disability payment program.

Earnings may include payments received in lump sums. For employees who receive tips, the cash wages paid directly by the employer and the amount of the tip credit claimed, if any, by the employer are earnings for the

purposes of the wage garnishment law. Tips received in excess of the tip credit amount or in excess of the wages paid directly by the employer (if no tip credit is claimed or allowed) are not earnings for purposes of the CCPA.

### **Limitations on the Amount of Earnings that may be Garnished (General)**

The amount of pay subject to garnishment is based on an employee's "disposable earnings," which is **the amount of earnings left after legally required deductions are made**. Examples of such deductions include federal, state, and local taxes, the employee's share of Social Security, Medicare and State Unemployment Insurance tax. It also includes withholdings for employee retirement systems required by law.

Deductions not required by law—such as those for voluntary wage assignments, union dues, health and life insurance, contributions to charitable causes, purchases of savings bonds, retirement plan contributions (except those required by law) and payments to employers for payroll advances or purchases of merchandise—usually may not be subtracted from gross earnings when calculating disposable earnings under the CCPA.

Title III sets the maximum amount that may be garnished in any workweek or pay period, regardless of the number of garnishment orders received by the employer. For ordinary garnishments (i.e., those not for support, bankruptcy, or any state or federal tax), the weekly amount may not exceed the lesser of two figures: 25 percent of the employee's disposable earnings, or the amount by which an employee's disposable earnings are greater than 30 times the federal minimum wage (currently \$7.25 an hour).

Therefore, if the pay period is weekly and disposable earnings are \$217.50 ( $\$7.25 \times 30$ ) or less, there can be no garnishment. If disposable earnings are more than \$217.50 but less than \$290 ( $\$7.25 \times 40$ ), the amount above \$217.50 can be garnished. If disposable earnings are \$290 or more, a maximum of 25 percent can be garnished. When pay periods cover more than one week, multiples of the weekly restrictions must be used to calculate the maximum amounts that may be garnished. The table and examples at the end of this fact sheet illustrate these amounts.

### **Limitations on the Amount of Earnings that may be Garnished for Child Support and Alimony**

Title III also limits that amount of earnings that may be garnished pursuant to court orders for child support or alimony. The garnishment law allows up to 50 percent of a worker's disposable earnings to be garnished for these purposes if the worker is supporting another spouse or child, or up to 60 percent if the worker is not. An additional 5 percent may be garnished for support payments more than 12 weeks in arrears.

### **Exceptions to Title III's Limitation on Wage Garnishments**

The wage garnishment law specifies that its limitations on the amount of earnings that may be garnished do not apply to certain bankruptcy court orders, or to debts due for federal or state taxes.

If a state wage garnishment law differs from Title III, the law resulting in the lower amount of earnings being garnished must be observed.

### **Non-Tax Debts Owed to Federal Agencies**

The Debt Collection Improvement Act authorizes federal agencies or collection agencies under contract with them to garnish up to 15% of disposable earnings to repay defaulted debts owed the U.S. government. The Higher Education Act authorizes the Department of Education's guaranty agencies to garnish up to 10% of disposable earnings to repay defaulted federal student loans. Such withholding is also subject to the provisions

of Title III of the CCPA, but not state garnishment laws. Unless the total of all garnishments exceeds 25% of disposable earnings, questions regarding such garnishments should be referred to the agency initiating the withholding action.

### **EXAMPLES OF AMOUNTS SUBJECT TO GARNISHMENT**

The following examples illustrate the statutory tests for determining the amounts subject to garnishment, based on the current minimum wage of \$7.25 per hour.

1. An employee's gross earnings in a particular week are \$263. After deductions required by law, the disposable earnings are \$233.00. In this week \$15.50 may be garnished, because only the amount over \$217.50 may be garnished where the disposable earnings are less than \$290.
2. An employee receives a bonus in a particular workweek of \$402. After deductions required by law, the disposable earnings are \$368. In this week, 25 percent of the disposable earnings may be garnished. ( $\$368 \times 25\% = \$92$ ).
3. An employee paid every other week has disposable earnings of \$500 for the first week and \$80 for the second week of the pay period, for a total of \$580. In a biweekly pay period, when disposable earnings are at or above \$580 for the pay period, 25% may be garnished; \$145.00 ( $25\% \times \$580$ ) may be garnished. It does not matter that the disposable earnings in the second week are less than \$217.50.
4. An employee on a \$400 weekly draw against commissions has disposable earnings each week of \$300. Commissions are paid monthly and result in \$1,800 in disposable earnings for July after already-paid weekly draws are subtracted and deductions required by law are made. Each draw and the monthly commission payment are separately subject to the law's limitation. Thus, 25% of each week's disposable earnings from the draw (\$75 in this example) may be garnished. And 25% of the disposable earnings from the commission payment may be garnished, or \$450 ( $\$1,800 \times 25\% = \$450$ ).
5. Pursuant to a garnishment order (with priority) for child support, an employer withholds \$90 per week from the wages of an employee who has disposable earnings of \$295 a week. Title III allows up to 50% or 60% of disposable earnings to be garnished pursuant to court orders for child support. A garnishment order for the collection of a defaulted student loan is also served on the employer. If there was no garnishment order (with priority) for child support, Title III's general limitations would apply to the garnishment for the defaulted student loan, and a maximum of \$73.75 ( $25\% \times \$295$ ) would be garnished per week. However, the existing garnishment for child support means in this example that no additional garnishment for the defaulted student loan may be made because the amount already garnished is more than the amount (25%) that may be generally garnished. Additional amounts could be garnished to collect child support, delinquent federal or state taxes, or certain bankruptcy court ordered payments.

**MAXIMUM GARNISHMENT OF DISPOSABLE EARNINGS (GENERALLY) FOR THE \$7.25  
MINIMUM WAGE**

<b>Weekly</b>	<b>Biweekly</b>	<b>Semimonthly</b>	<b>Monthly</b>
\$217.50 or less: NONE	\$435.00 or less: NONE	\$471.25 or less: NONE	\$942.50 or less: NONE
More than \$217.50 but less than \$290.00: Amount ABOVE \$217.50	More than \$435.00 but less than \$580.00: Amount ABOVE \$435.00	More than \$471.25 but less than \$628.33: Amount ABOVE \$471.25	More than \$942.50 but less than \$1256.66: Amount ABOVE \$942.50
\$290.00 or more: MAXIMUM 25%	\$580.00 or more: MAXIMUM 25%	\$628.33 or more: MAXIMUM 25%	\$1256.66 or more: MAXIMUM 25%

\* These limitations do not apply to certain bankruptcy court orders, or to garnishments to recover debts due for state or federal taxes. Different limitations apply to garnishments pursuant to court orders for child support or alimony.

**Title III Protections against Discharge when Wages are Garnished**

The CCPA prohibits an employer from firing an employee whose earnings are subject to garnishment for any one debt, regardless of the number of levies made or proceedings brought to collect that one debt. The CCPA does not prohibit discharge because an employee's earnings are separately garnished for two or more debts.

**Where to Obtain Additional Information**

For additional information, visit our Wage and Hour Division Website: <http://www.wagehour.dol.gov> and/or call our toll-free information and helpline, available 8 a.m. to 5 p.m. in your time zone, 1-866-4-USWAGE (1-866-487-9243).

This publication is for general information and is not to be considered in the same light as official statements of position contained in the regulations.

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