



## Wage Deductions

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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## Wage Deductions

**Reference Number:** MTAS-946

In most cases “the FLSA does not prohibit deductions from wage payments; however, the regular rates and overtime pay must be figured before deductions are made.” 29 C.F.R. § 778.305. In other words, employee deductions and contributions are permissible, but overtime is calculated on the regular rate before deductions are made. Deductions may be made to wages for the employee’s share of Social Security and unemployment insurance, as well as other federal, state or local taxes, levies or assessments without affecting the minimum wage rate. 29 C.F.R. § 531.38. No deduction can be made for any tax that the law requires be borne by the employer.

If wearing a uniform is required by law or by the employer, the cost of the uniform is considered to be a business expense of the employer. “If the employer requires the employee to bear the cost, then the employer may not reduce the employee’s wage below the minimum wage or cut into overtime compensation required by the act.” W.H. Publication 1428 (Rev. March 1984). If the purchase of a uniform by an employee cuts into the minimum wage or overtime compensation required by the FLSA, the employee must be reimbursed no later than the next regular payday. As long as the employer is continuing to pay in excess of the minimum wage, the employer may prorate deductions for uniforms over a period of paydays.

Following are examples of wage deductions that are to be included in the regular rate.

1. Meals, lodging, and other facilities. 29 C.F.R. 531.29. and 29 C.F.R. 531.33.
2. Voluntary wage assignment by the employee. 29 C.F.R. 531.40(c).
3. Charitable contributions by the employee.
4. Garnishments Health and welfare plan contributions by the employee. 29 C.F.R. 531.39.
5. Insurance premium advances paid for the employee’s convenience.
6. Pension plan contributions by the employee.
7. Re-payment of salary advances.
8. Savings plan contributions by the employee.
9. Withholding of taxes for or on behalf of the employee, including state and federal income tax, Social Security and unemployment compensation.
10. Union dues and fees authorized by the employee. 29 C.F.R. 531.40(c).
11. U.S. savings bond purchases. C.F.R. § 778.304.

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