

PERMISSIBLE PAYROLL DEDUCTIONS

1. Any deduction made in compliance with the requirements of Federal, State or local law.

Examples: Federal withholding taxes
State withholding taxes
Federal Social Security taxes

2. Any deduction of sums previously paid to the employee as a bona fide prepayment of wages when prepayment is made without discount or interest.

Example: A “bona fide prepayment of wages” is considered to have been made only when cash or its equivalent has been advanced to the person employed in such manner as to give him complete freedom of disposition of advanced funds.

3. Any deduction of amounts required by court process (garnishment) to be paid to another, unless the deduction is in favor of...

- The Contractor
- The subcontractor
- Any affiliated person
- **OR** When collusion or collaboration exists

4. Any deduction constituting a contribution on behalf of the person employed to funds established by the employer, or representatives of the employer, or both for the purpose of providing (from principal, or income, or both) ...

- Medical or hospital care
- Pensions or annuities on retirement
- Death benefits
- Compensation for injuries, illness, accidents, sickness, or disability
- **OR** Insurance for any of the foregoing.

5. An Employee Authorization form is needed for all deductions except for the following withholdings Medicare, Social Security, Local or Federal Taxes. Original signature from the employee is required and original form sent to AHFA. Label all deductions clearly on payroll.