

New York Expands Scope of Permissible Payroll Deductions

The Impact on Employers and Employees

A New York Labor Law effective in the last quarter of 2012 now allows employers to deduct the cost of an array of employee benefits previously barred by the New York state code. By broadening the types of benefits that can be payroll deducted, employers can provide more complete worksite and non-traditional voluntary benefits offerings in their benefits packages, and employees can choose programs and services best suited to them.

How the Law Changed

The New York General Assembly amended Section 193 of the New York State Labor Law to allow employers to make payroll deductions for a wider variety of items. The law, which took effect on November 6, 2012, mandates that any deductions from wages must be voluntary and for the employee's benefit. No deductions are permitted without the employee's written consent.

Previously, permitted wage deductions were allowed only for items authorized by law – tax withholdings; items authorized in writing “for the benefit of the employee” such as insurance premiums, pension or health and welfare benefits; contributions to charitable organizations; payments for U.S. bonds; and payments for dues or assessments to a labor organization.

The new law allows deductions for numerous other programs – day care expenses; tuition, room, board and fees related to certain educational institutions; and other mass transit, charitable and health-related payments. Also included would be prepaid legal plans; fitness, health club or gym membership dues; and employee purchase programs.

What it Means for Employee Purchase Programs

As a result of the expanded deduction law, most employers will consider additional payroll deduction programs and benefits, and re-evaluate practices or policies that fell out of favor or were even discontinued due to the restrictions on deductions imposed by the Department of Labor.

We commend the New York General Assembly for relaxing the law. It means that among the variety of new programs New York employers can offer as a payroll-deducted voluntary benefit are employee purchase programs. These programs give eligible workers the ability to buy products and services in a financially responsible way.

Purchasing Power products and services are available to New York employees (excluding public employees). According to the legislation, deductions “cannot exceed ten percent of the employee's gross wages (minus required deductions) for the pay period.” We believe that's a wise clause. Since its founding in 2001, Purchasing Power has always advocated for responsible spending by enacting spending limits for all customers.

For more information, please contact us at 877-723-2798 or www.PurchasingPower.com.

