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What You Should Know About Wage Garnishment

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Wage garnishment is a legal means of collecting an **unpaid debt** through a direct payroll deduction. In most cases, a creditor must file a lawsuit and obtain a judgment against the debtor before a garnishment can be instituted (there are, however, a few exceptions to this general rule).

Garnishments are subject to both federal and state law. The **Consumer Credit Protection Act (“CCPA”)** is the governing federal law and it prohibits the firing of an employee for one garnishment. Some states do allow the firing of an employee if more than one garnishment has been filed. While it is an inconvenience for payroll departments to handle garnishments, you should always check with an attorney before you dismiss an employee simply because they are subject to more than one garnishment.

If you are an employer and an employee becomes subject to wage garnishment, you will receive notice and instructions from the court directing you to withhold a portion of the employee’s earnings and pay them directly to the court. “Earnings” include: wages, commissions, rent received, or other income such as dividends. Generally, Social Security, SSI, Veterans benefits, and Railroad Retirement cannot be garnished, nor can certain types of civil service, military and pension benefits. In Kentucky, only up to 25% of an employee’s earnings are subject to wage garnishment. A wage garnishment order will include a section directing the employer on how to calculate the amount of money that can be withheld from a pay period.

Employers should always respond to a wage garnishment order; they have twenty (20) days to do so in accordance with Kentucky law.

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