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What California Employers Need to Know About Wage Deductions

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It is important for employers in California to understand what is permitted for wage deductions to maintain compliance and avoid potential pitfalls.

Employers in California may lawfully withhold amounts from an employee's wages if: (1) the employer is required to withhold certain amounts under state or federal law, such as federal and state income taxes, as well as contributions to Social Security and Medicare; (2) the employee expressly authorizes certain deductions in writing, such as the employee's share of insurance premiums, benefit plan contributions or other deductions not amounting to a rebate on the employee's wages; (3) the deductions are mandated by Court order, such as child support, alimony, or debt repayment (garnishments); or (4) the deduction is expressly authorized by a wage or collective bargaining agreement, such as union dues or negotiated contributions.

However, there are certain deductions that California law prohibits, and, in many cases, the prohibition applies notwithstanding the employee's written consent to the deduction.

- Employers are not allowed to collect, take, or receive tips or gratuity left for an employee.
- Costs associated with taking photographs or obtaining bonds required by the employer must be covered by the employer, as must the cost of uniforms if they are mandatory. Furthermore, employees must be reimbursed for business-related expenses incurred during the performance of their duties.
- Employers are generally prohibited from deducting wages for cash shortages, breakages, or losses of equipment that were borne from negligence or regular business operations. Although deductions of amounts borne from losses from an employee's dishonesty, willfulness, or gross negligence may be permissible, employers should still proceed cautiously and consult with legal counsel before doing so. Moreover, recovering losses from payroll errors or past salary advances garners increased scrutiny from the courts.

Employees are protected from termination solely due to the existence or threat of wage garnishments.

To maintain compliance, employers should focus on clear communication with their workforce, ensuring that wage deductions are well-explained and authorized in writing. It is essential to conduct regular audits of payroll practices to ensure adherence to both state and federal laws.

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