

WAC 296-126-025 Deductions from final wages. (1) An employer may deduct any portion of an employee's final wages and may reduce the employee's final gross wages below the state minimum wage that is in effect at the time the work is performed, if the deduction is for any of the following:

(a) Required by state or federal law; or

(b) For medical, surgical, or hospital care or service. No deductions may be made for these services if covered under RCW 51.48.050; or

Example. During the final pay period, the business paid a worker's medical costs for an injury not related to the employee's job duties and deducted the amount from final wages to repay those costs to the employer.

(c) To satisfy a court order, judgment, wage attachment, trustee process, bankruptcy proceeding, or payroll deduction notice for child support payments.

(2) The following deductions must be specifically agreed upon orally or in writing by the employee or employer and may reduce the employee's final gross wages below the state minimum wage that is in effect at the time the work is performed, if the deduction is for any of the following:

(a) For pension, medical, dental, or other benefit plans when such agreements have been specifically agreed upon orally or in writing in advance by the employee and employer.

Example 1. Insurance premium: An employee and employer may have entered into an oral or written agreement in advance for deductions for monthly medical premiums.

Example 2. Retirement plan: The employee chose a 401K pension plan and agreed orally or in writing to a payroll deduction for the specified amount to participate in that plan.

(b) For a payment to a creditor or third party if the employee authorizes it orally or in writing in advance to pay a sum for the benefit of the employee. The creditor or third party can be the employer of the employee.

Example 1. Assignment to third party: An employee may request orally or in writing for the employer to withhold four hundred dollars from the final paycheck for an automobile loan to be paid directly to the employee's financial institution by the employer.

Example 2. Employee loan: The employer loaned the employee three hundred dollars and charged reasonable interest. A written agreement with the terms of repaying the loan at fifty dollars per pay period through payroll deductions was made in writing and in advance between the employer and employee. The agreement also contained a provision that if the employee left the employer's employment for any reason, any balance due on the loan could be withheld from the final paycheck. Note: Employers are advised to check with the United States Department of Labor, Wage and Hour Division and the Internal Revenue Service regarding application of federal laws on charging interest.

(3) An employer can deduct wages from an employee's final paycheck for the reasons in (a), (b), (c), and (d) of this subsection, but only when these incidents have occurred in the final pay period. An employer may not deduct wages from the final paycheck for incidents that occurred in previous pay periods under (a) through (d) of this subsection. None of the deductions contained in this subsection may reduce the employee's final gross wages below the state minimum wage that is in effect at the time the work is performed.

(a) For acceptance of a bad check or credit card, if it can be shown that the employee accepted the check or credit card in violation of procedures previously made known to the employee by the employer; or

(b) For any cash shortage from a cash register, drawer or portable depository provided for that purpose, if it can be shown that the employee has sole access to the cash and has participated in the cash accounting at the beginning of the employee's shift and again at the end of said shift; or

(c) For any cash shortage, walkout (failure of customer to pay), breakage, or loss of equipment, if it can be shown that the shortage, walkout, breakage or loss was caused by a dishonest or willful act of the employee; or

(d) Deductions taken due to alleged employee theft are permissible only if it can be shown that the employee's intent was to deprive and that the employer filed a police report.

(4) It is the employer's responsibility to prove the existence of any agreement. Therefore, the department recommends that all agreements, policies, and procedures be in writing and signed by the affected employees.

(5) The employer must identify and record all wage deductions openly and clearly in employee payroll records.

Helpful information:

The following are examples of situations when deductions are allowed from the employee's final paycheck:

Example 1. Employee purchase of employer's goods or services: An employee worked for a tire store. The employee purchased tires from the store and entered into a written agreement with the employer to deduct an agreed amount each pay period until the debt was paid in full, and the agreement further specified that any remaining balance due at the time of termination could be withheld from the final paycheck. This type of deduction may reduce the employee's wage below the state minimum wage.

Example 2. Advance or draw on wages. An employee may obtain an advance or draw on wages. The employer may deduct the advance or draw from the employee's final paycheck. The employer must record the advance or draw in the employee's payroll records. This type of deduction may reduce the employee's wage below the state minimum wage.

Example 3. Cost of uniforms: An employee and employer may agree orally or in writing that the employer may deduct the cost of uniforms provided by the employer if the uniforms are not returned by the employee at the time of termination. This type of deduction cannot reduce the employee's wage below the state minimum wage.

Example 4. Cash shortages: In a grocery store, the employees and employer agreed orally or in writing that the employer could deduct wages for cash shortages that occurred in the final pay period if the employees had sole access to their cash registers during their shifts and participated in the employer's cash accounting procedures before and after their shifts.

[Statutory Authority: Chapters 49.12, 49.46, 49.48, 49.52 RCW, and RCW 43.22.270. WSR 05-24-019, § 296-126-025, filed 11/29/05, effective 1/1/06; Order 74-9, § 296-126-025, filed 3/13/74, effective 4/15/74.]