



## 25.50 Payroll Deductions and Reductions

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### 25.50.10 Introduction

May 1, 1999

Payroll deductions or reductions are amounts withheld from an employee's wages. Reductions affect gross income, deductions do not. Deductions are classified as mandatory or voluntary.

### 25.50.20 Mandatory (standard) deductions/reductions

Jan. 1, 2022

#### 25.50.20.a Mandatory Deductions from Gross Income

These must be deducted from employees' salaries and wages pursuant to federal or state law. Mandatory deductions include but are not limited to the following list:



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<b>MANDATORY DEDUCTIONS</b>	<b>DESCRIPTION AND REQUIREMENTS</b>
<b>Federal Income Tax</b>	<ul style="list-style-type: none"> <li>• Determine amount of withholding from employee signed federal W-4 form (Employee's Withholding Allowance Certificate).</li> <li>• Check IRS publication 15 (Circular E) for any additional rules.</li> </ul>
<b>Industrial Insurance (Medical Aid)</b>	<ul style="list-style-type: none"> <li>• State tax for industrial insurance benefits program.</li> <li>• Administered by the Department of Labor and Industries (L&amp;I).</li> <li>• Premium for full-time employees is calculated using the standard monthly average of <b>160 hours</b> x L&amp;I rate.</li> <li>• Premium for part-time employees is calculated using <b>actual hours</b>.</li> <li>• The L&amp;I rate is based on the assigned risk classification(s).</li> <li>• Refer to <a href="#">RCW 51.12.035</a> and L&amp;I regarding mandatory Medical Aid coverage for volunteers of state agencies who have registered and accepted the volunteer services.</li> <li>• Refer to L&amp;I publications for coverage, employee/employer rates, and employer reporting requirements.</li> </ul>
<b>Old Age and Survivors Insurance (OASI) and Medicare</b>	<ul style="list-style-type: none"> <li>• OASI is a federal employment tax for retirement, survivors, and disability benefits. Matching contributions are required from both employees and employers.</li> <li>• The Medicare federal employment employee and employer matching tax supports federal health insurance.</li> <li>• The Department of Retirement Systems (DRS) administers our state's Section 218 agreement with the federal Social Security Administration.</li> <li>• Check with DRS for coverage requirements.</li> <li>• Refer to IRS Publication 15 (Circular E) for rates, deposit, and reporting regulations.</li> </ul>
<b>Paid Family and Medical Leave</b>	<ul style="list-style-type: none"> <li>• Premium for the paid family and medical leave insurance program.</li> <li>• Administered by the Employment Security Department (ESD).</li> <li>• Premium is based on gross wages.</li> <li>• Refer to <a href="#">RCW 50A.04</a> and ESD publications for coverage, rates, and employer reporting requirements.</li> </ul>
<b>Long Term Services and Support</b>	<ul style="list-style-type: none"> <li>• Premium for the long term services and support program, also called WA Cares.</li> <li>• Administered by the Employment Security Department (ESD), the Department of Social and Health Services (DSHS), the Health Care Authority (HCA), and the Office of the State Actuary (OSA).</li> <li>• Premium is based on gross wages.</li> <li>• Refer to <a href="#">RCW 50B.04</a> and WA Cares publications for coverage, rates, and employer reporting requirements.</li> </ul>

## 25.50.20.b Mandatory Reductions to Gross Income

These reduce gross pay and are not subject to federal income tax. Deduct these amounts from gross income before calculating federal income tax for eligible employees.



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<b><i>REDUCTIONS TO GROSS INCOME</i></b>	<b><i>DESCRIPTION AND REQUIREMENTS</i></b>
<b>State Retirement Systems</b>	<ul style="list-style-type: none"><li>This is the employee's paid share of the total retirement contribution.</li></ul>
<b>Higher Education Retirement Plans</b>	<ul style="list-style-type: none"><li>This is the employee's paid share of the Higher Education Retirement Plans. Refer to <a href="#">RCW 28B.10</a> and rules developed by specific agency governing boards.</li></ul>

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## **25.50.30 Voluntary deductions/reductions**

Jan. 1, 2018

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These options are permitted by law but require an employee's written request to authorize the payroll deduction or salary reduction. Generally, agency heads have the discretion to approve or deny requests for these types of deductions. The maximum deductions or reductions per employee is limited to the number that payroll systems can accommodate.

### **25.50.30.a Voluntary Reductions from Gross Income**

These amounts reduce gross pay and are not subject to income tax. Deduct these amounts from gross income before calculating federal income tax. Participation in this type of reduction is at the employee's written request.



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<b><i>VOLUNTARY REDUCTION</i></b>	<b><i>DESCRIPTION AND REQUIREMENTS</i></b>
<b>Deferred Compensation Plans and Tax Deferred Annuities</b>	<ul style="list-style-type: none"> <li>• These are salary reductions allowed under <a href="#">RCW 28B.10.480</a> and <a href="#">41.04.020</a>.</li> <li>• Either the agency head or the Department of Retirement Systems Deferred Compensation Program approves the employee’s request for this type of deduction.</li> </ul>
<b>Dependent Care</b>	<ul style="list-style-type: none"> <li>• This program allows eligible employees to exclude dependent care costs (like child care) from their gross income. Reductions are not subject to OASI and Medicare.</li> <li>• Eligibility requirements are in <a href="#">WAC 182-12-116</a>, <a href="#">182-08-187</a>, <a href="#">197</a>, and <a href="#">199</a>.</li> <li>• For program details, refer to <a href="https://www.hca.wa.gov/employee-retiree-benefits/public-employees/dependent-care-assistance-program-dcap">https://www.hca.wa.gov/employee-retiree-benefits/public-employees/dependent-care-assistance-program-dcap</a>.</li> </ul>
<b>Flexible Spending Plan</b>	<ul style="list-style-type: none"> <li>• A medical flexible spending arrangement allows employees to set aside pretax earnings to pay eligible medical expenses.</li> <li>• Not available to employees enrolled in a consumer-directed health plan.</li> <li>• Amounts contributed must be used each plan year.</li> <li>• For more information, refer to <a href="https://www.hca.wa.gov/employee-retiree-benefits/school-employees/medical-flexible-spending-arrangement">https://www.hca.wa.gov/employee-retiree-benefits/school-employees/medical-flexible-spending-arrangement</a></li> </ul>
<b>Health Savings Account</b>	<ul style="list-style-type: none"> <li>• A health savings account (HSA) is a tax-exempt account into which employees, employers, or anyone can deposit on the employees’ behalf.</li> <li>• In order to be eligible for an HSA, employees must be enrolled in a consumer-directed health plan.</li> <li>• Amounts contributed must be used to pay for IRS qualified out-of-pocket medical expenses and can accumulate from year to year.</li> <li>• For more information, refer to <a href="https://www.hca.wa.gov/employee-retiree-benefits/school-employees/health-plans-health-savings-accounts-hsas">https://www.hca.wa.gov/employee-retiree-benefits/school-employees/health-plans-health-savings-accounts-hsas</a></li> </ul>
<b>Medical Expense Plans (Voluntary Employee Benefit Associations - VEBAs)</b>	<ul style="list-style-type: none"> <li>• <a href="#">RCW 41.04.340</a> allows eligible retiring employees an option to use their accrued sick leave buyout at retirement to purchase a post-retirement medical expense reimbursement plan.</li> <li>• Also refer to WAC 357-31-375 or CBAs for program requirements.</li> </ul>

## 25.50.30.b Voluntary Miscellaneous Deductions

These deductions reduce net pay, but do not affect gross income. Participation in these types of deductions is at the employee’s written request. These deductions may also require a minimum level of participation.

Acceptable forms for employee written request include:

- Paper (original documentation with employee original signature or mark).
- A PDF copy of the original document.
- Facsimile copy of the original document.
- Email for certain changes (such as deduction amount) or stopping a deduction.



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- Electronic documents using electronic signatures as defined under RCW 1.80.010(10) as, “An electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.”

Employee requests may be delivered in any manner reasonably available to the individual submitting the request including, but not limited to: personal delivery, US Mail, courier, electronic mail, facsimile or other reliable method.

The most common of these deductions follow:

Type of Deduction	Description and Explanation	25/100 Rule *	Agency Override on 25/100 Rule	Agency Approval Required
Banks, Savings Banks, or Saving and Loan Associations	<ul style="list-style-type: none"> <li>• These institutions must be authorized to do business in this state.</li> </ul>	X	X	If < 25 in the agency X
Credit Unions		X	X	If < 25 in the agency X
Parking Fees and Transit Benefits	<ul style="list-style-type: none"> <li>• Payments for parking furnished by the agency or by the Department of Enterprise Services. Deductions shall be pretax, to the extent possible, for qualified parking and transit benefits as allowed under the federal internal revenue code.</li> </ul>			
US Savings Bonds	<ul style="list-style-type: none"> <li>• Deductions at certain institutions of higher education for participation in the US Savings Bond program.</li> </ul>			
Board, Lodging, Uniform Deductions	<ul style="list-style-type: none"> <li>• Deductions for board, lodging, or uniforms furnished by the state.</li> </ul>			
Tuition, Fees, or Scholarship Contributions	<ul style="list-style-type: none"> <li>• Deductions for academic tuition, fees, or scholarship contributions payable to the employing institutions.</li> </ul>			
Dues and Other Fees	<ul style="list-style-type: none"> <li>• Membership dues for professional organizations formed primarily for public employees or college and university professors.</li> </ul>	X		



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Type of Deduction	Description and Explanation	25/100 Rule *	Agency Override on 25/100 Rule	Agency Approval Required
Labor or Employee Organization Dues	<ul style="list-style-type: none"> <li>• Per <a href="#">RCW 41.04.230</a>, dues (including representation and other mandatory fees) authorized under a collective bargaining agreement if not already provided under the provisions of <a href="#">Chapters 41.76</a> or <a href="#">41.80</a> RCW or other statutory authority.</li> <li>• Organizations of 500 or more may have payroll deduction for employee benefit programs.</li> </ul>	X		
Funds, Committees, or Subsidiary Organizations Maintained by Labor or Employee Organizations	<ul style="list-style-type: none"> <li>• Per <a href="#">RCW 41.04.230(6)</a>, employees may voluntarily contribute.</li> <li>• Effective January 1, 2007.</li> </ul>	X		
Health Care Authority Premiums	<ul style="list-style-type: none"> <li>• Premiums for contracts authorized by the Washington State Health Care Authority (HCA) (<a href="#">Chapters 41.04</a> and <a href="#">41.05</a> RCW).</li> <li>• Enrollment or assignment by the HCA to participate in a health care benefit plan, as required by <a href="#">RCW 41.05.065(8)</a>, shall authorize a payroll deduction of premium contributions without a written consent under the terms and conditions established by the public employees' benefits board. If an employee is overpaid due to an error related to payroll deduction of premium contributions, refer to salary overpayment recoveries in <a href="#">Section 25.80</a>.</li> <li>• Premiums are treated as pretax unless the employee elects to have the premium taxed. This election must be made during open enrollment.</li> </ul>			
Charitable Contributions	<ul style="list-style-type: none"> <li>• Contributions to the state employee combined fund drive (<a href="#">RCW 41.04.036</a>)</li> </ul>			



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Type of Deduction	Description and Explanation	25/100 Rule *	Agency Override on 25/100 Rule	Agency Approval Required
Other Deductions	<p>Per <a href="#">RCW 41.04.230</a>:</p> <ul style="list-style-type: none"><li>Other deductions may be authorized by the director of OFM for purposes clearly related to state employment or goals and objectives of the agency and for plans authorized by the state health care authority.</li></ul> <p>Per <a href="#">RCW 41.04.030</a>:</p> <ul style="list-style-type: none"><li>Other Health, Accident, Disability, and Life Insurance - Deductions for employee chosen</li></ul>	X		X

\* This means minimum participation of 25 or more employees in one agency or 100 employees statewide.