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Prepare for the new payroll deduction law

Employers will be able to deduct more items from workers' paychecks after legislation is signed.

By Bill Glovin

A proposed bill that Gov. Andrew Cuomo is expected to sign any day would amend state labor laws to permit employers to make more deductions from employees' paychecks. In the past, these deductions were limited to things like payments for insurance premiums, pension benefits, charitable contributions and union dues. If the bill is signed, employers will be able to deduct items such as health club memberships, purchases at employer cafeterias, parking passes and day care expenses.

"This is a win-win; a terrific bill for both employers and employees," said David Katz, an attorney who specializes in employment, labor and benefits for Mintz Levin in Manhattan. The driving force behind the law, he noted, were employers who made overpayments owing to payroll or administrative errors, then, under existing law, were forced to sue the employee to recoup the overpayment.

"From the employer standpoint, it allows them to deduct overpayments from future paychecks and provide salary advances and loans to employees without a lot of red tape," Mr. Katz said. The law should also give employers new leverage to negotiate better deals with vendors who offer perks that can be deducted from employee pay, he said.

Learn the rules.

The proposed law is very specific about the new deductions it will allow, Mr. Katz said. You can see an outline at: <http://www.governor.ny.gov/assets/documents/GPB49-WAGE-DEDUCTION-MEMO.pdf>.

The law will take effect 60 days after it is enacted.

Put the right communication system in place.

To avoid confusion, you'll need to give employees a way to tell you what deductions they want—or no longer want to allow. The bill will let employees revoke their authorizations for wage deductions at any time. While big companies with human resources departments are already taking steps to implement it, many small and midsize firms have yet to act. "They tend to deal with issues as they come up," said Dick Batten, who heads the Recruiting and Organizational Effectiveness practice at consultancy Karp Resources in Manhattan.

Get legal advice.

While your payroll provider may be able to help you implement new deductions, there may be legal nuances that affect your firm. Experts advise consulting with your employment counsel, particularly in the new law's infancy.