

PAYROLL PROCEDURES  
SALARY DEDUCTIONS AND REDUCTIONS

CFEA  
(LEGAL)

**Income Tax**

Except as otherwise provided in 26 U.S.C. 3402, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. *26 U.S.C. 3401–3402*

**Medicare Tax**

The tax imposed by 26 U.S.C. 3101(b) shall be collected by the employer of the taxpayer hired after March 31, 1986, by deducting the amount of the tax from the wages as and when paid. *26 U.S.C. 3102(a), 3121(u)*

**Teacher Retirement System**

Each payroll period, each employer shall deduct from the compensation of each member employed by the employer the amount required by Government Code 825.402. *Gov't Code 825.403*

Each employer shall pick up the employee contribution required of each of its employees by Government Code 825.403. Employers shall pay to the retirement system the picked-up contributions from the same source of funds that is used in paying earnings to the employees. Such payments shall be in lieu of contributions by the employees. An employer shall pick up these contributions by a corresponding reduction in the cash salary of the employees, by an offset against a future salary increase, or by a combination of a salary reduction and offset against a future salary increase. Employees do not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the retirement system. *Gov't Code 825.409(a)*

**Retired School Employees Group Insurance Fund**

The employer of an active employee shall monthly:

1. Deduct the employee's contribution from the employee's salary and remit the contribution to the Teacher Retirement System of Texas (TRS) in the manner required by TRS; or
2. Assume and pay the total contributions due from its active employees.

“Active employee” means a contributing member of the TRS who is employed by a public school and is not entitled to coverage under a plan provided under Insurance Code Chapter 1551 (Texas Employees Group Benefits Act) or 1601 (State University Employees Uniform Insurance Benefits Act).

*Insurance Code 1575.002(1), (7), .203(b)*

**Child Support Payments**

An employer shall begin to withhold income in accordance with an order or writ of withholding issued under Family Code Chapter 158 not later than the first pay period following the date on which the order or writ was delivered to the employer and shall continue to withhold income as required by the order or writ as long as the obligor is employed by the employer. The employer shall remit the

amount to be withheld to the person or office named in the order or writ on each pay date. The payment must include the date on which the withholding occurred.

An employer may deduct an administrative fee of not more than \$10 from the obligor's disposable earnings in addition to the amount to be withheld as child support.

*Family Code 158.202-.204*

**Spousal  
Maintenance**

An employer shall begin to withhold income in accordance with an order or writ of withholding issued under Family Code Chapter 8 not later than the first pay period after the date the order or writ was delivered to the employer. The employer shall continue to withhold income as required by the order or writ as long as the obligor is employed by the employer. The employer shall remit to the person or office named in the order or writ of withholding the amount of income withheld from an obligor on each pay date. The remittance must include the date on which the withholding occurred.

An employer may deduct an administrative fee of not more than \$5 each month from the obligor's disposable earnings in addition to the amount withheld as spousal maintenance.

*Family Code 8.202-.204*

**Professional Dues**

A district employee is entitled to have an amount deducted from the employee's salary for membership fees or dues to a professional organization. The employee must:

1. File with the district a signed written request identifying the organization and specifying the number of pay periods per year the deductions are to be made; and
2. Inform the district of the total amount of the fees and dues for each year or have the organization notify the district of the amount.

The district shall deduct the total amount of the fees or dues for a year in equal amounts per pay period for the number of periods specified by the employee. The deductions shall be made until the employee requests in writing that the deductions be discontinued.

The district may charge an administrative fee for making the deduction. A fee imposed may not exceed either the actual administrative cost of making the deduction or the lowest fee the district charges for similar salary deductions, whichever is less.

*Education Code 22.001 [But see Atty. Gen. Op. No. GA-774 (2010) (The legislature has not expressly authorized school districts to process payroll deductions for contributions to political committees.)]*

<b>Social Security</b>	The tax imposed by 26 U.S.C. 3101(a) shall be collected by the employer of designated taxpayers by deducting the amount of the tax from the wages as and when paid. <i>26 U.S.C. 3101–3102, 3121(b)(7)(E); 26 C.F.R. 31.3121(b)(7)-2</i>
<b>Federal Education Loans</b>	An employer shall pay to the U.S. Secretary of Education or the guaranty agency as directed in a withholding order issued in an action to recover delinquent federal education loan payments. <i>20 U.S.C. 1095a(a)(6)</i>
<b>Prepaid Higher Education Tuition Program</b>	An employee of a district may make payments under a prepaid tuition contract by payroll deductions made by the appropriate officer of the district. <i>Education Code 54.626(c)</i>
<b>Higher Education Savings Plan</b>	An employee of a district may make contributions to a higher education savings trust account established under the higher education savings plan by payroll deductions made by the appropriate officer of the district. <i>Education Code 54.701(10), .708(a)</i>
<b>Assignments</b>	<p>An employee's assignment, pledge, or transfer, as security for indebtedness, of any interest in or part of the employee's salary or wages then due or that may become due under an existing contract of employment is enforceable only:</p> <ol style="list-style-type: none"><li>1. If before or at the time of execution, delivery, or acceptance of an assignment, pledge, or transfer written approval is obtained in accordance with the policy of the employing district; and</li><li>2. To the extent that the indebtedness it secures is a valid and enforceable obligation.</li></ol> <p>A district shall honor an assignment, pledge, or transfer fulfilling the conditions above without incurring any liability to the employee executing the assignment, pledge, or transfer. Payment to any assignee, pledgee, or transferee in accordance with the terms of the instrument constitutes payment to or for the account of the assignor, pledgor, or transferor. An assignment, pledge, or transfer is enforceable only to the extent of salary due or that may become due during continuation of the assignor's employment as a school employee.</p> <p><i>Education Code 22.002</i></p>
<b>Insurance</b>	A district may withhold from an employee's salary contributions for participation in approved insurance programs. <i>Insurance Code 1579.253; Education Code 22.005</i> [See CRD]
<b>Deferred Compensation</b>	A district may enter into a salary reduction agreement to reduce an employee's salary for the purpose of making direct contributions to

or purchases of a qualified investment product only if the qualified investment product is an eligible qualified investment. To the greatest degree possible, districts that enter into a salary reduction agreement with employees under this provision shall require that contributions to eligible qualified investments be made by automatic payroll deduction and deposited directly in the investment accounts. *Art. 6228a-5, Secs. 4(5), 5(a), (f) V.A.T.S.*

A district may contract with an employee for the deferment of any part of the employee's compensation. To participate in a deferred compensation plan, an employee must consent in the contract to automatic payroll deductions in an amount equal to the deferred amount. *Gov't Code 609.007(a), (c)* [See CRG]

#### **Cafeteria Plans**

A district shall withhold from an employee's salary amounts designated by the employee for participation in the district's cafeteria plan authorized under 26 U.S.C. 125.

"Cafeteria plan" means a written plan under which all participants are employees, and the participants may choose among two or more benefits consisting of cash and qualified benefits.

*26 U.S.C. 125*

#### **Administrative Fee**

A district that is required by state or federal law to deduct from the current wages of an employee an amount garnished under a withholding order may deduct monthly an administrative fee from the employee's disposable earnings in addition to the amount required to be withheld under the withholding order. This does not apply to income withholding under Family Code Chapter 158. [See Child Support Payments, above]

The administrative fee may not exceed the lesser of:

1. The actual administrative cost incurred by the district in complying with the withholding order; or
2. \$10.

*Civil Practice and Remedies Code 63.006*

#### **Child Care**

The board may authorize a district employee to enter into an agreement with the district to reduce the periodic compensation paid the employee by the district by an amount to be paid for child-care expenses. *Gov't Code 610.021(a)*