



American Payroll Association

Government Relations • Washington, DC

January 1, 2017

Statement in Support of the Uniform Wage Garnishment Act

The American Payroll Association (APA) is pleased to endorse the Uniform Wage Garnishment Act (UWGA) drafted and approved by the National Conference of Commissioners on Uniform State Laws. APA believes the very nature of the uniform act will make vast improvements in garnishment processing for businesses, especially those that operate in more than one state. In addition, the UWGA provides a framework that is fairer for creditors as well as debtors and their employers that are responsible for the administrative task of garnishing their wages.

About the APA

Established in 1982, APA is a nonprofit professional association serving the interests of more than 20,000 payroll professionals in the United States. APA's primary mission is to educate members and the payroll industry about the best practices associated with paying America's workers while complying with all applicable federal, state, and local laws. APA's Government Relations Task Force (GRTF) works with legislative and executive branches at the federal and state levels to help employers understand their legal obligations with significant emphasis on minimizing the administrative burden on government, employers, and individual workers.

Improved and standardized processes

The variation in creditor garnishment requirements and procedures among states is one of the most vexing compliance issues facing employers that operate in more than one state. The UWGA addresses this challenge by standardizing the rules regarding:

- How garnishments are served,
- The effective starting and ending dates,
- When and to whom payments are remitted,
- Penalties for noncompliance, and more.

The UWGA also offers process improvements that employers will welcome. Through provisions that allow for combining multiple payments to a single creditor and making payments electronically, employers should be able to reduce the overall number of payments they prepare in favor of a process that is faster, safer, and more secure.

Open issues

Withholding limits:

The method of calculating the withholding limits under the UWGA is based on that of the federal Consumer Credit Protection Act, which limits withholding to the lesser of:

1. 25% of disposable earnings for the workweek, or
2. the amount by which disposable earnings for the workweek exceed 30 times the federal minimum wage.

Section 13(a) of the UWGA lets states determine (1) the percentage of disposable earnings subject to creditor garnishments, (2) whether the state or federal minimum wage should apply, and (3) the multiple by which the minimum wage shall be factored. For consistency across states, APA recommends that states calculate disposable earnings using the federal minimum wage. If a state wishes to provide greater restrictions on withholding than those provided by the CCPA, APA recommends that states do so by adjusting the percentage of weekly disposable earnings and/or the multiple of the federal minimum wage.

Administrative fee:

Section 5(d)(2) of the UWGA provides for an administrative fee payable to the garnishee. The legislative note accompanying the section explains that alternative methods of applying and collecting the fee are available in Appendix A. APA recommends that states adopt an alternative that provides both an up-front fee and a per-payment fee.

APA members report that the labor costs associated with receiving a garnishment order, on average, exceed \$10. This amount is doubled when the order is served on an employer's registered agent, as required by the UWGA. APA members calculate that the per-payment cost of implementing a garnishment equals \$3.59. APA recommends that states implement an up-front fee of \$20 and a per-payment fee of \$3.50 in order to adequately and fairly cover an employer's costs.

As written in Section 5(d)(2), the administrative fee would be paid up front at the time the garnishment is served. The average garnishment lasts 20 pay periods, so the per-payment costs alone average \$71.80. To cover an employer's administrative costs associated with handling the garnishment, APA estimates that the fee would need to exceed \$90.

A number of states currently do not provide for an administrative fee for implementing creditor garnishments. APA notes that nearly all states (47 of 50) do allow employers to charge an administrative fee when implementing child support withholding orders. Based on the explanation of costs detailed here, APA requests that all states include this necessary provision.

APA also encourages states to implement a standardized garnishment form. The implementation of a standardized form allows uniformity when processing orders across

counties, courts, and even states. A standardized form allows for consistency of critical data (both placement and data being provided) that employers need when processing garnishments.

APA believes that each state enacting the UWGA will help every employer conducting business in that state as well as any and all workers who are subject to wage garnishment.

Sincerely,

A handwritten signature in black ink that reads "Corri Flores". The signature is written in a cursive style with a large initial 'C'.

Corri Flores
Chair, GRTF Child Support and Other Garnishments Subcommittee
American Payroll Association

A handwritten signature in blue ink that reads "William Dunn". The signature is written in a cursive style with a large initial 'W'.

William Dunn, CPP
Director, Government Relations
American Payroll Association