

IC 22-2-6

Chapter 6. Wage Deductions

IC 22-2-6-1

Definitions

Sec. 1. (a) Any direction given by an employee to an employer to make a deduction from the wages to be earned by said employee, after said direction is given, shall constitute an assignment of the wages of said employee.

(b) For the purpose of this chapter, the term "employer" shall also include the state and any political subdivision of the state.

(Formerly: Acts 1945, c.183, s.1; Acts 1965, c.301, s.1.) As amended by P.L.144-1986, SEC.10; P.L.143-1988, SEC.2.

IC 22-2-6-2

Assignment of wages; requisites

Sec. 2. (a) Any assignment of the wages of an employee is valid only if all of the following conditions are satisfied:

- (1) The assignment is:
 - (A) in writing;
 - (B) signed by the employee personally;
 - (C) by its terms revocable at any time by the employee upon written notice to the employer; and
 - (D) agreed to in writing by the employer.
- (2) An executed copy of the assignment is delivered to the employer within ten (10) days after its execution.
- (3) The assignment is made for a purpose described in subsection (b).

(b) A wage assignment under this section may be made for the purpose of paying any of the following:

- (1) Premium on a policy of insurance obtained for the employee by the employer.
- (2) Pledge or contribution of the employee to a charitable or nonprofit organization.
- (3) Purchase price of bonds or securities, issued or guaranteed by the United States.
- (4) Purchase price of shares of stock, or fractional interests therein, of the employing company, or of a company owning the majority of the issued and outstanding stock of the employing company, whether purchased from such company, in the open market or otherwise. However, if such shares are to be purchased on installments pursuant to a written purchase agreement, the employee has the right under the purchase agreement at any time before completing purchase of such shares to cancel said agreement and to have repaid promptly the amount of all installment payments which theretofore have been made.
- (5) Dues to become owing by the employee to a labor

organization of which the employee is a member.

(6) Purchase price of merchandise, goods, or food offered by the employer and sold to the employee, for the employee's benefit, use, or consumption, at the written request of the employee.

(7) Amount of a loan made to the employee by the employer and evidenced by a written instrument executed by the employee subject to the amount limits set forth in section 4(c) of this chapter.

(8) Contributions, assessments, or dues of the employee to a hospital service or a surgical or medical expense plan or to an employees' association, trust, or plan existing for the purpose of paying pensions or other benefits to said employee or to others designated by the employee.

(9) Payment to any credit union, nonprofit organizations, or associations of employees of such employer organized under any law of this state or of the United States.

(10) Payment to any person or organization regulated under the Uniform Consumer Credit Code (IC 24-4.5) for deposit or credit to the employee's account by electronic transfer or as otherwise designated by the employee.

(11) Premiums on policies of insurance and annuities purchased by the employee on the employee's life.

(12) The purchase price of shares or fractional interest in shares in one (1) or more mutual funds.

(13) A judgment owed by the employee if the payment:

(A) is made in accordance with an agreement between the employee and the creditor; and

(B) is not a garnishment under IC 34-25-3.

(14) The purchase of uniforms and equipment necessary to fulfill the duties of employment. The total amount of wages assigned may not exceed the lesser of:

(A) two thousand five hundred dollars (\$2,500) per year; or

(B) five percent (5%) of the employee's weekly disposable earnings (as defined in IC 24-4.5-5-105(1)(a)).

(15) Reimbursement for education or employee skills training. However, a wage assignment may not be made if the education or employee skills training benefits were provided, in whole or in part, through an economic development incentive from any federal, state, or local program.

(16) An advance for:

(A) payroll; or

(B) vacation;

pay.

(c) The interest rate charged on amounts loaned or advanced to an employee and repaid under subsection (b) may not exceed the bank prime loan interest rate as reported by the Board of Governors of the Federal Reserve System or any successor rate, plus four percent

(4%).

(Formerly: Acts 1945, c.183, s.2; Acts 1947, c.330, s.1; Acts 1963, c.148, s.1; Acts 1975, P.L.251, SEC.1.) As amended by P.L.143-1988, SEC.3; P.L.115-1994, SEC.1; P.L.83-2001, SEC.1; P.L.193-2015, SEC.2.

IC 22-2-6-3

Validation of deductions

Sec. 3. All deductions made before July 1, 1988, by an employer from the wages of an employee, at the request of the employee, or without the objection of the employee, provided the amount so deducted was either retained by the employer and credited upon an indebtedness owing to the employer by the employee, or paid by the employer in accordance with the request of the employee, or without the employee's objection, are hereby legalized, and no action shall be brought or maintained against the employer to recover from the employer the amount so retained or paid.

(Formerly: Acts 1945, c.183, s.4.) As amended by P.L.143-1988, SEC.4.

IC 22-2-6-4

Overpayment by employer

Sec. 4. (a) If an employer has overpaid an employee, the employer may deduct from the wages of the employee the amount of the overpayment. A deduction by an employer for reimbursement of an overpayment of wages previously made to an employee is not a fine under IC 22-2-8-1 or an assignment of wages under section 2 of this chapter. An employer must give an employee two (2) weeks notice before the employer may deduct, under this section, any overpayment of wages from the employee's wages.

(b) An employer may not deduct from an employee's wages an amount in dispute under IC 22-2-9-3.

(c) The amount of a wage deduction made by an employer under subsection (a) is limited to the following:

(1) Except as provided in subdivision (2), the maximum part of the aggregate disposable earnings of an employee for any work week that is subjected to an employer deduction for overpayment may not exceed the lesser of:

(A) twenty-five percent (25%) of the employee's disposable earnings for that week; or

(B) the amount by which the employee's disposable earnings for that week exceed thirty (30) times the federal minimum hourly wage prescribed by 29 U.S.C. 206(a)(1) in effect at the time the earnings are payable.

In the case of earnings for a pay period other than a week, the earnings must be computed upon a multiple of the federal minimum hourly wage equivalent to thirty (30) times the federal minimum hourly wage as prescribed in this section.

(2) If a single gross wage overpayment is equal to ten (10) times the employee's gross wages earned due to an inadvertent misplacement of a decimal point, the entire overpayment may be deducted immediately.

As added by P.L.215-1995, SEC.1.