

**CHAPTER 7**

**WITHHOLDING AND DEDUCTIONS**

0701 GENERAL.

A deduction is any subtraction from gross pay or wages due an employee.

0702 AUTHORIZATION.

Payroll deductions or withholdings made from an employee's pay must be:

- 070201. Properly authorized by the employee, or in accordance with applicable laws;
- 070202. Adequately documented; and
- 070203. Paid when due to the appropriate recipient in the amount authorized.

0703 TYPES OF DEDUCTIONS

The three basic types of deductions are those:

- 070301. Required by laws, regulations, or legal decisions, such as:
  - A. Federal, State, and local income taxes (26 USC 3102 and 5 USC 5516, 5517, 5520), and FICA (26 USC Ch. 21);
  - B. Retirement (5 USC Chapter 83, 84 and 5 CFR 831, 841);
  - C. Garnishments for alimony and child support. (42 USC 659);
  - D. IRS tax levies (26 USC 6331 and 6334); and
  - E. Other indebtedness to the U.S. Government.
- 070302. For benefits specifically authorized by law, such as:
  - A. Federal Employees Health Benefit (FEHB) program (5 USC 8901 through 8913); and
  - B. Federal Employees Group Life Insurance (FEGLI) (5 USC Ch. 87).

070303. Which are voluntary, personal allotments to designated payees, such as:
- A. Thrift Saving Plan (TSP) (5 USC 8432);
  - B. U.S. Savings Bonds, Series EE and I (1 TFM 3-6000);
  - C. Savings allotments (1 TFM 3-7000);
  - D. Combined Federal Campaign (5 CFR 550.341 and 1 TFM 3-7000);
  - E. NASA Employees Benefit Association (NEBA) life insurance;
  - F. Dues to authorized employee organizations (5 CFR 550, Subpart C and 1 TFM 3-7000); and
  - G. Labor Union Dues (5 USC Ch. 71).

0704 ORDER OF WITHHOLDING PREFERENCE FOR DEDUCTIONS

070401. NASA's order of precedence for withholding must comply with any applicable laws, regulations, or other legal authority, including the following regulations in 5 CFR: section 550.301 (dealing with allotments), section 550.805(e) (dealing with back pay awards), section 550.1104 (dealing with debt collection via salary offset), section 581.105 (dealing with garnishments for child support and/or alimony), and section 582.103 (dealing with garnishments for commercial debt). Consistent with 5 CFR 550.311, retirement deductions under the Civil Service Retirement System or the Federal Employees Retirement System must be made before any other deduction (except in the case of back pay as provided in 5 CFR 550.805(e)). Also, as required by 5 U.S.C. 5514(d), a levy pursuant to the Internal Revenue Code takes precedence over salary offsets under 5 U.S.C. 5514 (dealing with offsets to recover a debt due the United States Government).

070402. When the gross pay of an employee is not sufficient to permit all deductions required by law to be made, the deductions will be taken in the following order, unless specified otherwise by a bankruptcy court under the bankruptcy laws of title 11 of the United States Code or under the laws of title 5 of the United States Code (USC). In such instance, the court's order must be followed. NASA shall use the following order of precedence for applying deductions from the gross pay of its civilian employees when gross pay is not sufficient to cover all authorized deductions.

- A. Retirement (CSRS or FERS) (except in the case of back pay use the order of deductions as provided in 5 CFR 550.805(e));
- B. FICA tax or Medicare tax;
- C. Federal income tax;

- D. Health insurance premiums (current pay period and, if owed by employee, for up to four pay periods immediately preceding the current period);
- E. Basic group life insurance premiums;
- F. State income tax;
- G. Local income tax;
- H. Mandatory repayment of debts to the United States including unpaid advances of pay, travel, etc.
- I. Court-ordered Garnishment for alimony and child support payments;
- J. Commercial garnishments;
- K. Voluntary alimony or child support payments;
- L. Court-ordered bankruptcy payments under title 11 of the United States Code;
- M. Optional life insurance;
- N. Voluntary repayments of indebtedness to the United States;
- O. All other voluntary deductions, including Thrift Savings Plan (TSP) or repayment of TSP loans; and
- P. IRS levy for back Federal income taxes (based on net take-home pay).

#### 0705 OTHER DEDUCTIONS

070501. Deduction to Collect Erroneous Payment. 5 USC 5514 authorizes that deductions may be made from the current pay of employees to satisfy indebtedness incurred as the result of an erroneous payment to or on behalf of the employee. Determination of indebtedness of the employee shall be made by authorized NASA officials (NPD 9645.2\_). When it is found that an erroneous payment has been made, the employee involved will be notified, in writing, regarding the indebtedness.

070502. Deduction to Collect Delinquent Federal Income Tax. 26 USC 6331 permits district directors of the Internal Revenue Service to levy on the accrued salary or wages of any employee of the United States in order to satisfy a tax liability. Before a notice of levy is issued by the Internal Revenue Service, an employee may make an arrangement with the IRS to liquidate his or her tax liability by voluntary payroll deductions.

A. Settlement through Payroll Deduction. When an employee makes a satisfactory arrangement with the IRS to liquidate his or her tax liability by payroll deduction, an original Payroll Deduction Agreement (IRS Form 2159) signed by the employee and the IRS will be delivered to the Center payroll office. The IRS Form 2159 will specify the amount to be deducted each pay period, the employee's tax account number, and the number of consecutive pay periods that the deduction will be made.

B. Settlement by Levy. As a general rule, Notice of Levy on Wages, Salary, and Other Income (IRS Form 668-W) will be served directly on the payroll certifying officer by the Internal Revenue Service. A levy upon wages or salary is continuous from the date the levy is first made until the liability-giving rise to the levy is satisfied or until a release of levy is received from the Internal Revenue Service. Payroll deductions will be made according to the order of precedence shown in paragraph 070402 above.

070503. JURY DUTY FEES

A. Under the provisions of 5 USC 5537, no jury fees are paid to employees who are called upon for jury service in any court of the United States and therefore no collection is required.

B. Every effort will be made to collect any fees paid the employee by state courts for jury duty. However, that part of the fee received for periods of jury duty which are for time not within the employee's normal workday or week and consequently not covered by court leave for jury duty, may be retained by the employee. Amounts received by an employee that are specified by the court as reimbursement for expenses, (i.e., traveling expenses) rather than compensation, may be retained by the employee. Prior to collection, Center payroll offices must determine, based on the applicable local jurisdiction laws governing the court, whether jury fees paid to employees constitute reimbursement for expenses in lieu of compensation for services. If direct collection is not made, the amount due will be collected by payroll deduction.