



DEDUCTION GUIDELINES FOR CONTRACTORS		
Certified Payrolls on Federally-Assisted Construction Projects		
<b>Other Deduction Notes:</b> Deductions are required to be detailed by type and amount on the certified weekly payroll. Within the LCPtracker system, “Other” approved deductions are detailed by type and amount within the Other Deduction Notes section of the payroll.		
<b>Supporting Documentation for Other Deductions:</b> Generally, 29 CFR 3.5 lists certain deductions that are permissible without application to or approval from the Secretary of Labor. Any deductions made to an employee’s pay outside of those permissible deductions require approval from the Secretary of Labor. While all deductions are subject to the request of additional supporting documentation, supporting documents for certain permissible deductions are required at the time of submission of the certified payroll, as outlined in the table. The certified payroll will be rejected without it.		
Federal Reference	Type of deduction	Required supporting documentation to be submitted before or with the first certified weekly payroll that the deduction will appear on. <u>Each deduction must be listed on the EAD Form unless otherwise stated.</u>
29 CFR Part 3.5	Any deduction that is not generally allowed by the Secretary of Labor. <i>USDOL approval letter for the specific type of deduction and specified time period of the USDOL’s approval for the deduction</i>	<b>See FREQUENTLY REPORTED DEDUCTIONS THAT REQUIRE DOL APPROVAL below.</b>
29 CFR Part 3.5 (a)	Any deduction made in compliance with the requirements of <b>Federal, State, or local law, such as Federal or State withholding income taxes and Federal social security taxes</b>	These are considered “Legal Deductions”. Taxes, Medicare and Social Security. <b>Does not need to be listed on the EAD/No EAD Required</b>
29 CFR Part 3.5 (b)	<b>Cash Advance/Loan</b>  Any deduction of sums previously paid to the employee as a bona fide prepayment of wages when such prepayment is made without discount or interest. A bona fide <b>prepayment of wages</b> is considered to have been made only when cash or its equivalent has been advanced to the person employed in such manner as to give	<b>A signed copy of the Cash Advance/Loan agreement between the Company and Employee OR list the deduction on the EAD form with the following information:</b> <ul style="list-style-type: none"><li>• Total amount of the Cash Advance/Loan</li><li>• The amount to be deducted from the employee's pay each week to repay the cash advance or loan</li><li>• Documentation must expressly state and/or evidence by way of the total</li></ul>

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	him/her complete freedom of disposition of the advanced funds	<p>amount paid back that <u>no profit or other benefit</u> is otherwise obtained, directly or indirectly, by the contractor or subcontractor or any affiliated person in the form of commission, dividend, or otherwise by way of the funds advanced.</p> <ul style="list-style-type: none"> <li>• The payment tracking number must be entered on the certified payroll reports “other deduction notes” example: loan payment 3 of 10.</li> <li>• <i>Example:</i> <ul style="list-style-type: none"> <li>○ <i>Enter Advance or Loan deductions below. The Other Deduction note on the certified payroll report must state the payment number and weekly deduction amount. Example: Loan payment 1 of 3 @ \$50</i></li> <li>○ <i>The following section is for deductions to repay loans and cash advances between the Company and Employee. 1) the total amount advanced or loaned; 2) the date the funds were advanced or loaned; 3) The amount to be deducted for repayment; 4)The frequency of the deduction (weekly or one time); 5) time frame can not be ongoing. When does the payback period begin and end?</i></li> </ul> </li> </ul>
29 CFR Part 3.5 (c)	Any deduction of amounts required by <b>court process</b> to be paid to another, unless the deduction is in favor of the contractor, subcontractor, or any affiliated person, or when collusion or collaboration exists. <b>COURT ORDERED CHILD SUPPORT &amp; WAGE GARNISHMENTS</b>	A copy of the <b>court ordered child support or wage garnishment document</b> with all social security numbers and date of birth information redacted, OR the deduction must be listed on the <b>EAD form</b> with appropriate information on the amount, frequency and time frame of the <b>court ordered child support or wage garnishment</b> .
29 CFR Part 3.5 (d)	Any deduction constituting a contribution on behalf of the person employed to funds established by the employer or representatives of employees, or both, for the purpose of providing either from principal or income, or both, <b>medical or hospital care, pensions or annuities on</b>	<p><b>Must be listed on EAD form</b></p> <p><b>For 3rd party plans</b> (employer, employee and outside company) that provide employee selected benefits, we only need an EAD. -Example: Medical, Dental, Vision, Life, AD&amp;D, etc that are administered by an outside company.</p>

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	retirement, death benefits, compensation for injuries, illness, accidents, sickness, or disability, or for insurance to provide any of the foregoing, or unemployment benefits, vacation pay, savings accounts, or similar payments <b>USDOL approval letter for any plans administered by the Company internally which involve funds being held and managed by the Company.</b> 3 Compliance Memo 6/12/2018 for the benefit of employees, their families and dependents. (29 CFR Part 3.5 (b))	<b>Must be listed on EAD form</b> <b>Self-funded or partially self-funded benefit plan.</b>  USDOL approval letter is required for any plans administered by the Contractor/Company internally which involve funds being held and managed by the Company. In simple terms, any <b>self-funded or partially self-funded benefit plan.</b> <i><b>This is handled during the Fringe Plan Approval Process.</b></i>
29 CFR Part 3.5 (e)	Any deduction contributing toward the purchase of <b>United States Defense Stamps and Bonds</b> when voluntarily authorized by the employee.	Additional documentation may be requested at a later date upon audit. The <b>EAD form</b> must clearly state US Defense Stamps or Bonds as the reason for the deduction.
29 CFR Part 3.5 (f)	Any deduction requested by the employee to enable him to <b>repay loans to or to purchase shares in credit unions organized and operated in accordance with Federal and State credit union statutes</b>	Additional documentation may be requested at a later date upon audit. The <b>EAD form</b> must clearly state credit union loan or credit union share purchase in accordance with Federal and State credit union statutes.
29 CFR Part 3.5 (g)	Any deduction voluntarily authorized by the employee for the making of <b>contributions to governmental or quasi governmental agencies, such as the American Red Cross.</b>	Additional documentation may be requested at a later date upon audit. The <b>EAD form must</b> clearly state “Red Cross” Contribution or include the name of the quasi gov’t agency.
29 CFR Part 3.5 (h)	Any deduction voluntarily authorized by the employee for the making of contributions to <b>Community Chests, United Givers Funds, and similar charitable organizations.</b>	Additional documentation may be requested at a later date upon audit. <b>EAD form</b> must clearly state contributions to Community Chests, United Givers Funds, or provide the name of the similar charitable organizations.
29 CFR Part 3.5 (i)	Any deductions to pay regular <b>Union initiation fees and membership dues,</b> not including fines or special assessments: Provided, however, That a collective bargaining agreement between the contractor or subcontractor and representatives of its employees provides for such deductions and the deductions are not otherwise prohibited by law	EAD should state “Union” in the deduction description: Union Fees, Union Vacation or Union dues, etc.  An Out of State Contractor may submit an unsigned EAD accompanied by the appropriate Union agreement or Union Wage Sheet document. <i>Note: If other deductions not covered by the union are listed on the EAD, the EAD must be signed by</i>

		<div>the employee or it will be void.</div> <table><tr><td>Purpose of Deduction</td><td>Amount (\$\$ or %)</td><td>Frequency (Hrly/Wkly One Time)</td><td>Time Frame (Date From-To OR Ongoing)</td></tr><tr><td>UNION VAC</td><td>\$ 1.57</td><td>Hrly</td><td>beg 07/01/2020</td></tr><tr><td>UNION DUES</td><td>\$ 1.13</td><td>Hrly</td><td>beg 07/01/2020</td></tr><tr><td>ACCIDENT INSURANCE</td><td>\$ 9.20</td><td>Wkly</td><td>ongoing</td></tr><tr><td></td><td>\$</td><td></td><td></td></tr></table>	Purpose of Deduction	Amount (\$\$ or %)	Frequency (Hrly/Wkly One Time)	Time Frame (Date From-To OR Ongoing)	UNION VAC	\$ 1.57	Hrly	beg 07/01/2020	UNION DUES	\$ 1.13	Hrly	beg 07/01/2020	ACCIDENT INSURANCE	\$ 9.20	Wkly	ongoing		\$		
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29 CFR Part 3.5 (j)	<p>Any deduction not more than for the “reasonable cost” of <b>board, lodging, or other facilities</b> meeting the requirements of section 3(m) of the Fair Labor Standards Act of 1938, as amended, and Invoice(s) evidencing actual cost to employee of board, lodging or other facilities and documentation of the agreement between the Company and Employee that includes the total amount to be repaid, the date constituting the purchase by the employee, the date(s) in which funds will be deducted for part 531 of this title. When such a deduction is made the additional records required under § 516.25(a) of this title shall be kept.</p>	<div>HOTEL/LODGING</div> <p>EAD must clearly state the total amount of the employee’s hotel/lodging costs and the amount to be deducted from the employee's pay each week. If the deduction will be taken for more than one week, the other deduction note entered on the certified payroll must state hotel repayment X of X</p> <p>The following may be requested at a later date upon audit. Copy of Invoice showing total cost of the hotel stay and dates of hotel stay</p> <p>2. EAD notation that includes the following:</p> <div>EXAMPLE:</div> <table><tr><td>Purpose of Deduction</td><td>Hotel and total amount of the employee’s portion of the stay expressed in dollars and cents. Example: Hotel/\$100.00</td></tr><tr><td>Amount</td><td>\$50/week</td></tr><tr><td>Frequency</td><td>Weekly</td></tr><tr><td>Time Frame</td><td>Must enter a to and from date that corresponds with the hotel invoice. The use of “Ongoing” is not allowed and will result in a payroll rejection.</td></tr></table>	Purpose of Deduction	Hotel and total amount of the employee’s portion of the stay expressed in dollars and cents. Example: Hotel/\$100.00	Amount	\$50/week	Frequency	Weekly	Time Frame	Must enter a to and from date that corresponds with the hotel invoice. The use of “Ongoing” is not allowed and will result in a payroll rejection.												
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	<p>Any deduction for the <b>cost of safety equipment</b> of nominal value purchased by the employee as his own property for his personal protection in his work, such as safety shoes, safety glasses, safety gloves, and hard hats, if such equipment is not required by law to be furnished by the employer, if such deduction is not violative of the Fair Labor Standards Act or prohibited by</p>	<div>SAFETY EQUIPMENT: Requires DOL approval</div> <p>Once approved by DOL, the following is required on a signed EAD:</p> <table><tr><td>Purpose of Deduction</td><td>Safety Equipment (specific type) and total amount of the employee’s portion expressed in dollars and cents. Example: Safety Shoes/\$100.00</td></tr></table>	Purpose of Deduction	Safety Equipment (specific type) and total amount of the employee’s portion expressed in dollars and cents. Example: Safety Shoes/\$100.00																		
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	<p>other law, if the cost on which the deduction is based does not exceed the actual cost to the employer where the equipment is purchased from him and does not include any direct or indirect monetary return to the employer where the equipment is purchased from a third person, and if the deduction is either (1) Voluntarily consented to by the employee in writing and in advance of the period in which the work is to be done and such consent is not a condition either for the obtaining of employment or its continuance; or (2) Provided for in a bona fide collective bargaining agreement between the contractor or subcontractor and representatives of its employees.</p>	<table><tr><td>Amount per week</td><td>\$</td></tr><tr><td>Frequency</td><td>Weekly or One-Time</td></tr><tr><td>Time Frame</td><td>Must enter a To and From date, # of times Exm: 4 times (cannot select ongoing)</td></tr></table>	Amount per week	\$	Frequency	Weekly or One-Time	Time Frame	Must enter a To and From date, # of times Exm: 4 times (cannot select ongoing)
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	<p>EAD forms are required prior to the payroll being submitted or at the time the certified payroll is submitted. The certified payroll cannot be accepted by ADOT staff without it.</p> <p>When a payroll is accepted without an EAD form, the contractor and ADOT are non-compliant. If the payroll is rejected then only the contractor is non-compliant.</p> <p>When a payroll is submitted by the contractor without an EAD form to cover the deductions that require an EAD form, and the employee is no longer employed by the contractor, the contractor is non-compliant and the contractor must correct their non-compliance.</p> <p>Any and All changes to the employee’s listed deductions require the submission of a <u>new form</u> that includes all current voluntary deductions and an original employee signature and date signed. (must ink to paper signatures, computerized are NOT accepted)</p>							

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The Contractor must submit the request to the U S DOL for approval of a deduction→	<b>How to handle deductions for employees no longer with company</b>	
	This should be a rare occurrence. If this happens, notify your assigned Labor Compliance Officer and request the following alternate documentation from the contractor in lieu of the signed EAD. <sup>1</sup>	
	<b>Reason for the deduction</b>	<b>Alternate documentation</b>
	Employee elected benefits Example: Medical, Dental, Vision, Life, AD&D, etc.	Copy of benefit enrollment form signed by the employee
	Loan or Advance	Copy of employee signed loan or advance agreement that includes the full amount of the loan or advance and terms of the repayment.
	<b>The following deductions require DOL approval</b>	
	<ul style="list-style-type: none"> <li>• <b>EMPLOYER <u>REQUIRED</u> UNIFORMS: PURCHASE, REPLACEMENT, MAINTENANCE or CLEANING</b></li> <li>• <b>VEHICLE USAGE/VEHICLE TAX - IF USAGE OR TAX IS REQUIRED BY THE COMPANY</b></li> <li>• <b>CELL PHONE USE or INSURANCE ETC</b></li> <li>• <b>DAMAGES OR LOSS OF <u>ANY</u> PROPERTY/EQUIPMENT</b></li> <li>• <b>SAFETY EQUIPMENT and CLOTHING</b></li> <li>• <b>ANY DEDUCTION THAT IS NOT GENERALLY ALLOWED BY THE USDOL</b></li> </ul>	
	<b>ADOT STAFF: ALWAYS CHECK LCPtracker eDocuments for the DOL APPROVAL/DENIAL LETTER before rejecting the payroll. and directing a contractor to request US DOL approval for the deduction. Directions for requesting DOL approval and for checking eDocuments are below.</b>	
	<b>PROCESS FOR REQUESTING DOL APPROVAL FOR DEDUCTIONS</b>	
	<p style="text-align: center;"><a href="mailto:dbadeductions@dol.gov">dbadeductions@dol.gov</a></p> <p>Deduction requests may be submitted electronically. Email the request and any supporting documentation to <a href="mailto:dbadeductions@dol.gov">dbadeductions@dol.gov</a>.</p>	
	<p>We recommend that contractors include the following in their request for approval of the deduction(s):</p> <ul style="list-style-type: none"> <li>• Reason for deduction</li> <li>• Amount and frequency of deduction (weekly, monthly etc)</li> <li>• Time frame of the deduction</li> </ul>	

**Include the answers to the following questions:**

- Does the contractor, subcontractor, or any affiliated person make a profit or benefit directly or indirectly from the deduction?
- Does the deduction serve the convenience and interest of the employee?
- Is the deduction voluntarily consented to by the employee?
- Are the employees incurring the costs for business or personal use?

Any additions or increases to the employee's listed deductions require the submission of a new form that includes all current voluntary deductions and an original employee signature and date signed.