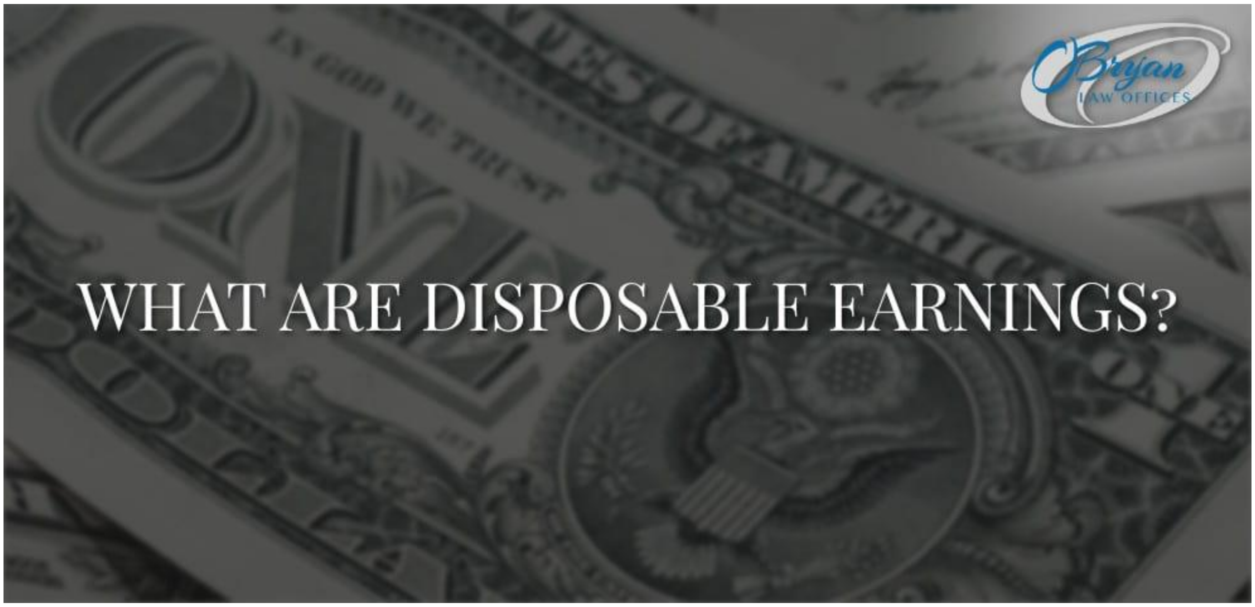
Disposable Earnings

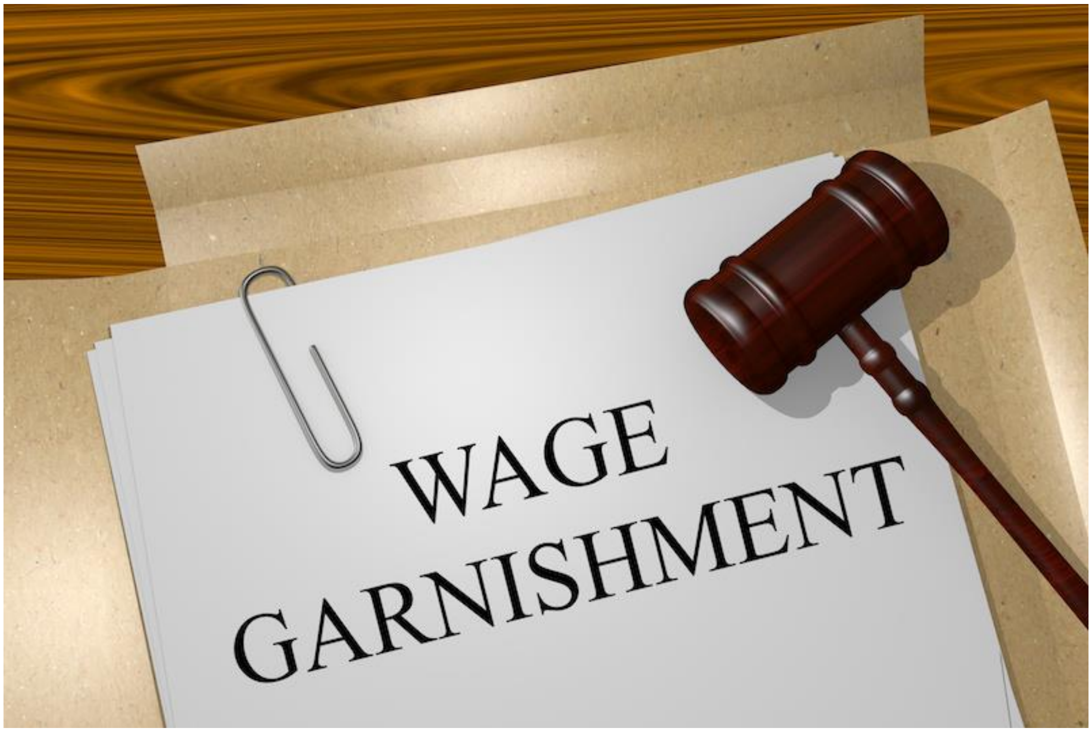


One can define disposable earnings or disposable income as the amount of pay that remains following legal deductions from gross earnings.

Mandatory Deductions: From gross pay, employers deduct local, state and federal tax, as well as Social Security, Medicare, and Unemployment Insurance tax.

Elective Deductions: Deductions that are not required by law include health and life insurance premiums, savings bonds, 401(k) contributions, etc.

What are Disposable Earnings for Garnishments?



Disposable earnings can also be defined as a portion of income that is eligible to be subject to garnishment. Disposable earnings are considered to be gross income, minus any legally required deductions, for example, income tax and Social Security.

How much can be garnished from a paycheck?

Courts are able to order part of one's income to be withheld to pay outstanding debts. The Consumer Credit Protection Act (CCPA) limits the maximum amount that can be garnished, and also protects the employee from facing financial hardships due to garnishments.

In addition, there are limitations on who can garnish wages. In order to do this, creditors must first file a lawsuit and win the judgment of the lawsuit. Following the win of the judgment, the creditor can get court permission to access funds from their paycheck.