Disposable Income

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STATE CONTROLLER’S STATEWIDE TRAINING

What is Disposal Income?
- Disposal Income is the amount of an employee's paycheck that is eligible to be garnished after all MANDATORY deductions have been deducted from their gross pay.

What Disposal Income is Not
- Disposal Income does not take into account things such as rent/mortgage, car payments or other things that are not considered mandatory deductions.
What is a Mandatory Deduction?

- A mandatory deduction is defined as a deductions that is required by law to be taken from an employee’s gross pay.
- For a full list of mandatory deductions please refer to PPM Section H 313.

https://www.sco.ca.gov/files-PPS/PW/PPM-section_h_deductions.pdf

Complete List of Mandatory Deductions

https://www.sco.ca.gov/files-PPS/PW/PPM-section_h_deductions.pdf

Let’s head to the important part…

How to Calculate Disposable Income
Account for all 6 deductions on the first page!

| PAY | A/B | D/V | DATE | GROSS CLARK | T/L | T/A | T/P | F/L | S/A | S/L | S/P | P/F | S/C | CORE |
|-----|-----|-----|------|------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
|     |     |     | 06/29/2020 | 4,540.00   |     |     |     |     |     |     |     |     |     |      |

- 5,540.00 (Gross Pay) – 402.16 (Retirement) = 5,137.84
- 5,137.84 – 298.61 (Federal Tax) = 4,839.23
- 4,839.23 – 302.14 (Social Security) = 4,537.09
- 4,537.09 – 48.37 (State Tax) = 4,488.72
- 4,488.72 – 70.66 (Medicare) = 4,418.06
- 4,418.06 – 48.73 (SDI) = 4,369.33

Actual Math

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Gets a little more difficult here...
what do we account for here?

OPEB (364-026) is the only deduction we account for here:

$4,320.60 – 127.42 = $4,193.18 is the disposable income

With every calculation please refer to PPM Section H 313.
When do I have to calculate disposable income?

- Certain garnishments do list an amount that must be garnished but instead list a percentage of the employees disposable. When this is the case then you should always calculate disposable income.
- My advice though is to calculate the employees disposable income anytime you receive a garnishment even if the garnishment doesn't require it.

What is disposable income?

- a. All of the income that is left over after we account for all of the employees expenses
- b. Money that we can throw away
- c. Amount of money remaining after deducting all mandatory deductions from employees gross pay
- d. Amount of money remaining after deducting all mandatory deductions from employees net pay
What deductions do we take from the first page of pay history?

a. Federal Tax, State Tax and SDI
b. Federal Tax, Medicare, Social Security
c. Federal Tax, State Tax, Social Security, Medicare, Retirement and SDI
d. None of the above

Final Thoughts

- Always have the PPM Section H 313 available when calculating disposable income
- Remember that disposable income can change when an employees salary changes
- Calculate disposable income for every garnishment
- OPEB must be counted in calculation
- Don’t over think it!

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Please email me with any questions you may have. I’m happy to help!