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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

HUMAN RESOURCES DIRECTORS AND AGENCY PAYROLL OFFICES

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Subject: PPM-2008-01; Order Of Precedence When Gross Pay Is Not Sufficient
To Permit All Deductions

This memorandum provides policy guidance to standardize the order of precedence when gross pay is not sufficient to permit all deductions. This guidance is part of the e-Payroll standardization initiative managed by the Office of Management and Budget and the Office of Personnel Management and will help ensure consistency among payroll providers in the processing activities involved in ordering deductions when pay is insufficient to permit all deductions. Please contact Barbara Goldberg at barbara.goldberg@opm.gov or 202-606-1995 if you have any questions about this guidance.

Order Of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions

This Order of Precedence for civilian Federal employees applies **only** when gross pay is not sufficient to permit all deductions; it will be used to determine the order in which authorized deductions from an employee's pay will be processed. (See notes for additional information.)

1. Retirement – Deductions for Defined Benefit Plan (including Civil Service Retirement System/Federal Employees Retirement System -- CSRS/FERS -- Basic Benefit, Foreign Service Retirement System/Foreign Service Pension System Basic Benefit, or other similar defined benefit plan) (see note 1)
2. Social Security (OASDI) Tax
3. Medicare Tax
4. Federal Income Tax
5. Basic Health Insurance Premium (including Federal Employees Health Benefits premium -- pre-tax or post-tax -- or premium for similar benefit under another authority)
6. Basic Life Insurance Premium (including Federal Employees' Group Life Insurance - FEGLI -- Basic premium or premium for similar benefit under another authority)
7. State Income Tax

8. Local Income Tax
9. Collection of Debts Owed to the U.S. Government (e.g., tax debt, salary overpayment, failure to withhold proper amount of deductions, advance of salary or travel expenses, etc.; debts which may or may not be delinquent; debts which may be collected through the Treasury Offset Program, an automated centralized debt collection program for collecting Federal debt from Federal payments) (see note 2)
 - a. Continuous Levy under the Federal Payment Levy Program (tax debt)
 - b. Salary Offsets (whether involuntary under 5 U.S.C. 5514 or similar authority or required by a voluntarily signed written agreement; if multiple debts are subject to salary offset, the order is based on when each offset commenced—with earliest commencing offset at the top of the order—unless there are special circumstances, as determined by the paying agency)
10. Court-Ordered Collection/Debt
 - a. Child Support (may include attorney and other fees as provided for in 5 CFR 581.102(d)) (see note 3) If there are multiple child support orders, the priority of orders is governed by 42 U.S.C. 666(b) and implementing regulations, as required by 42 U.S.C. 659(d) (2).
 - b. Alimony (may include attorney and other fees as provided for in 5 CFR 581.102(d)) If there are multiple alimony orders, they are prioritized on a first-come, first-served basis, as required by 42 U.S.C. 659(d) (3).
 - c. Bankruptcy (see note 4)
 - d. Commercial Garnishments
11. Optional Benefits (see note 5)
 - a. Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under FedFlex or equivalent cafeteria plan)
 - b. Dental (pre-tax benefit under FedFlex or equivalent cafeteria plan)
 - c. Vision (pre-tax benefit under FedFlex or equivalent cafeteria plan)
 - d. Health Savings Account (pre-tax benefit under FedFlex or equivalent cafeteria plan)
 - e. Optional Life Insurance Premiums (FEGLI optional benefits or similar benefits under other authority)
 - f. Long-Term Care Insurance Premiums
 - g. Dependent-Care Flexible Spending Accounts (pre-tax benefit under FedFlex or equivalent cafeteria plan)
 - h. Thrift Savings Plan (TSP)
 1. Loan Payments
 2. Basic Contributions
 3. Catch-up Contributions
 - i. Other Optional Benefits
12. Other Voluntary Deductions/Allotments
 - a. Military Service Deposits
 - b. Professional Associations
 - c. Union Dues
 - d. Charities
 - e. Bonds

- f. Personal Account Allotments (e.g., to savings or checking account)
 - g. Additional Voluntary Deductions (on first-come, first-served basis)
13. IRS Paper Levies

NOTES:

1. Re-employed Annuitant Salary Offset: Salary offset for re-employed annuitants is not included in this order of precedence guidance because it is a reduction in salary that must be withheld prior to all other deductions. (Note: The pre-offset salary amount is considered basic pay for the purpose of retirement and life insurance deductions.)
2. Priority of Deductions Versus Net Pay Exclusions: This order of precedence is for the purpose of determining which authorized deductions from an employee's pay will be applied first in the event gross pay is insufficient to permit all deductions. This is a separate issue from determining the net amount of pay that is subject to a particular deduction. Pay applied toward certain other deductions may be excluded in determining the net amount of pay from which a given deduction is made; however, that does not necessarily mean that those other deductions are actually applied first. For example:
 - a. The Federal income tax deduction is deducted from the net amount of pay subject to Federal income taxes (taxable pay). An employee's deduction for TSP contributions is pre-tax—i.e., excluded from the net amount of taxable pay. However, the TSP deduction is lower in the order of precedence than Federal income taxes.
 - b. A court-ordered alimony payment is deducted from the net amount of pay subject to garnishment (garnishable pay). An employee's TSP deduction is excluded from the net amount of garnishable pay (5 CFR 581.105(e)). However, the TSP deduction is lower in the order of precedence than the alimony garnishment.
3. Child Support: In computing garnishable pay under 5 CFR 581.105 for a child-support order, a Federal income tax levy under 26 U.S.C. 6331 is not excluded from garnishable pay if the child-support order was entered prior to the levy. (See 5 CFR 581.105(c).) This is a separate issue from the order of precedence applied in cases of insufficient gross pay. For the purpose of this order of precedence, required Federal debt collections (including a continuous tax levy) are always processed before a child support order.
4. Bankruptcy: In the event a bankruptcy court specifies a different order under the bankruptcy laws of title 11, United States Code, the court's order must be followed instead of the order shown above.
5. Pre-tax Benefits: Pre-tax benefits referred to in this order of precedence refer to non-taxable benefits elected under 26 U.S.C. 125 (cafeteria plans) and funded by salary reductions (e.g., under the "FedFlex" Plan or similar agency plan.).
6. Recomputation of Deductions: If gross pay is insufficient and certain deductions in the latter part of the order of precedence cannot be made, it is possible that earlier deductions may need to be recomputed if those earlier deductions were made from a

net amount of pay that was derived by excluding from gross pay one of the latter deductions. If those latter deductions were not made, the net amount of pay used in computing the earlier deductions must be corrected. In other words, the payroll system must loop back and recompute deductions taking into account the latter deductions that were not actually made. If necessary, this loop will occur a minimum of three times. For example, if gross salary is exhausted before TSP deductions can be made, then the taxable income used to compute income taxes was incorrect since it assumed TSP deductions would reduce taxable income. Also, if the employee is subject to an alimony garnishment, the amount of garnishable pay would be affected. The payroll system must loop back and recompute the deductions for Federal income taxes and alimony garnishment, taking into account the fact that TSP deductions were not made.

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