

New Law Allows Employers to Withhold Salary for the Repayment of Disaster Loans and Salary Advances

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On June 20, 2018, the Governor of Puerto Rico signed into law Act 115 to allow employers who obtain the written authorization of their non-exempt employees to withhold up to 20% of the employees' net salary payments for repaying loans or salary advances or to repay equipment, materials or goods provided by their employers in times of disaster. The new statute amends Act 17 of April 17, 1931, which only allowed a handful of withholdings from salaries received by non-exempt employees.

The original draft of the bill on which Act 115 is based was proposed to the Senate by McConnell Valdés in view of the many obstacles that our clients were facing under Act 17 to facilitate salary advances and interest free loans to their non-exempt employees during the aftermath of Hurricane María last year.

Act 115 establishes the following general requirements in order to allow the salary withholdings:

- the employee must authorize in writing the salary withholding
- the sums to be deducted must be for the total payment, without interest, of loans, salary advances, equipment, materials or goods provided by the employer
- such sums, equipment, materials or goods have to be directly related to a state of emergency declared by the President of the United States, the Federal Emergency Management Agency or the Governor of Puerto Rico
- such state of emergency declaration must cover the island of Puerto Rico or the municipality where the employee resides or works

Act 115 also provides that no salary withholding shall exceed 20% of the employee's net salary (after legal and voluntary deductions) to be paid in the employee's regular pay period.

Act 115 is effective immediately.



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