

## **Labor Law, by Kristen Bremer of Tonkon Torp, LLP**

It is an exciting time in every new business's life when it grows large enough to warrant hiring employees. However, becoming an employer invites a whole host of legal responsibilities and obligations governed by federal and state labor and employment laws. The most basic legal issues that you will immediately encounter when bringing on employees deal with wages, payroll requirements and mandatory and voluntary withholdings. Both federal and state laws cover these matters. This is a brief overview of an employer's payroll obligations.

**Wages.** Employers must pay employees wages in an amount and method prescribed by law. Federal law requires that most employees in the United States be paid at least the federal minimum wage for all hours worked and overtime pay at time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. The law provides an exemption from both minimum wage and overtime pay for employees employed as bona fide executive, administrative, professional and outside sales employees. It is important for employees to properly classify each employee based on the legal standards. For non-exempt employees (usually called hourly employees), federal law requires that minimum wage be paid at least \$7.25 per hour. Some states may establish a state minimum wage that is higher than the federal standard - such as Oregon, where minimum wage is currently \$8.40 per hour.

**Statutory Payroll Tax Deductions.** Employers must report employee earnings, withhold payroll taxes from an employee's paycheck and pay these withholdings to appropriate tax agencies. Payroll tax deductions may include the following: federal income tax, Social Security tax, Medicare tax, and possibly state income tax, and various local taxes (such as city, county or school district taxes, state disability or unemployment insurance). The law requires employers to pay their portion of payroll taxes as well.

**Voluntary Payroll Deductions.** Generally, voluntary payroll deductions are not allowed; however, this varies from state to state. In most states, voluntary payroll deductions may only be withheld from an employee's paycheck for benefits the employee has chosen to participate in, such as health insurance premiums, life insurance premiums, 401k plans, and union dues. As a general rule, you may not deduct from an employee's paycheck to reimburse the company for till shortages, destruction of company property and, in some states, for uniforms or tools.

These are tricky and technical laws that can be difficult to navigate. If you have questions about your company's payroll obligations, you should contact your labor and employment attorney for further information and advice.

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