



CCPA-62

February 1, 1973

This is in reply to your letter of October 4, 1972, concerning Title III of the Consumer Credit Protection Act.

Title III prescribes restrictions on the amount of an individual's disposable earnings which may be subjected to garnishment. Section 302(a) of the Act defines "earnings" as "compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise---". In applying the definition we would consider sick pay as compensation for personal services and thus as "earnings" under the Act. It is not material in determining whether sick pay constitutes earnings that it may not be subject to withholding and FICA deductions. Sick pay is included in the "disposable earnings" to which the Act's garnishment restrictions apply because such pay is a component of compensation paid or payable for personal services or "earnings".

Section 307 of the Act provides that the restrictions on garnishment prescribed in Title III do not affect any State law providing for more limited garnishments than are allowed under this Title. We understand that your State provides greater garnishment restrictions in certain cases than does the Federal law. The effect of Title III on State Law is explained on pages 7 and 8 of the enclosed pamphlet.

Sincerely,

Ben P. Robertson  
Acting Administrator  
Wage and Hour Division