

EMPLOYMENT LAW SUMMARY

Iowa: Wage Payment Requirements



Because You're Different

Several federal laws regulate wage payments, including the Fair Labor Standards Act (FLSA), the Davis-Bacon Act and the Service Contract Act. The Iowa Wage Payment Collection Law (IWPCCL) also imposes state wage payment requirements. When federal and state laws are different, the law that is more favorable to the employee will apply.

The Labor Services Division (LSD), part of the [Iowa Workforce Development Department](#), enforces wage payment standards throughout the state.

METHOD OF PAYMENT

The IWPCCL requires employers to pay wages in lawful U.S. currency. Generally acceptable means of payment include cash, check, direct deposit and pre-paid debit card.

Employers can use direct deposit to pay employee wages only after obtaining their employees' written consent. Employers can require the direct deposit of wages as a condition of employment for employees hired **after July 1, 2005**, if:

- Employees are able to select where the funds will be deposited;
- The costs associated with opening and maintaining an account to receive direct deposit do not reduce employee wages below the minimum wage rate;
- Employee accounts are not charged for receiving direct deposit; and
- Direct deposit is not prohibited by a collective bargaining agreement.

The use of pre-paid debit cards is authorized in Iowa if employees agree to this method of payment in writing, the funds are available to the employees on or before each payday and employees can access the entire deposit amount at least once without any fee or surcharge.

The IWPCCL requires employers to mail employee wages only if they receive a written request.

FREQUENCY OF PAYMENT

Employers must pay employee wages **at least once per month**, but can also choose to do it semimonthly, biweekly or at shorter intervals. Employers must pre-determine the frequency of paydays. Regular paydays must generally be **within 12 business days** after the end of the period in which the wages were earned.

The IWPCCL allows employers to observe different payment intervals if they reach and keep a record of a different agreement with their employees.

LAST PAYMENT OF WAGES

Upon suspension or termination, employers must pay their employees all wages earned (less any lawful deductions) by the next regular payday for the pay period where the wages were earned. In the case of commission-based wages, employers may have up to 30 days to pay an employee's earned wages.

WAGE DISPUTES

Should a dispute over wages arise, the IWPCCL requires employers to pay any uncontested portion of wages to their employees.

Employees who wish to report a violation of the IWPCCL may file a complaint with the LSD, initiate a lawsuit under the IWPCCL or assign the matter to the LSD so the division may start a civil lawsuit against the employer. Employers are liable for wage complaints filed with the LSD within one year from the date the wages became due and payable.

WITHHOLDINGS AND DEDUCTIONS

Employers may not withhold all or any portion of an employee's wages, unless the withholding or deduction is required by law or authorized by the employee. Refer to the information below for examples of generally permitted and unauthorized wage withholdings and deductions.

Generally Permitted

- Taxes
- Garnishments
- Wage attachments and other court-ordered deductions, such as child support obligations
- Deductions for any lawful purpose to the benefit of the employee, including insurance, 401K, pensions, bonds and savings programs (requires written authorization)

Not Generally Permitted

- Cash shortages in common money till, cash box or register
- Losses due to breakages, damage, acceptance of bad checks, default of customer credit and lost or stolen property
- Cost of personal protective equipment (except for clothing that can be worn outside of working hours)
- Employee tips and gratuities
- Employee relocation costs
- Cost of uniforms (when they bear the employer's logo)

ASSIGNMENT OF WAGES

The IWPCCL authorizes employers to honor wage assignments as long as the employer does not derive any profit or benefit from the transaction.

WAGE STATEMENTS

- The hours the employee worked;
- The wages earned by the employee; and
- The deductions made from that payment of wages.

This requirement does not apply to employees who are exempt from overtime wage laws under the FLSA, unless the employer has established a policy to pay exempt employees overtime wages, a bonus or other form of compensation based on the number of hours worked.

Employers can provide electronic wage statements to their employees as long as employees have free and unrestricted access to a printer if they ever chose to make a hard copy of the statement.

PENALTIES

In general, employers that violate the IWPCCL are subject to a civil penalty of **up to \$500** per pay period for each violation. Employers can contest a penalty by requesting a hearing with the LSD or judicial review from a district court **within 30 days** of when they receive notice of the sanction. An employer may be required to deposit the amount of the penalty it is contesting with the district court.

FAILURE TO PAY WAGES

Under the IWPC, employers that fail to pay their employees' wages may be ordered to pay all unpaid wages and cover all court costs and all usual and necessary **attorneys' fees**. Employers that intentionally fail to pay wages will be required to pay an amount of up to 100 percent of unpaid wages in **liquidated damages**, calculated as follows:

Liquidated damages = 5 percent of unpaid wages X Total number of business days where wages remained unpaid

LATE PAYMENT OF WAGES

In addition to the general penalty described above, employers that do not pay wages by their established regular paydays may be required to cover any account fees or charges (including overdraft charges) their employees incur because of the late payment of wages.

DISCRIMINATION AND RETALIATION

The IWPC prohibits employers from discharging or in any other way discriminating against any employee who files a complaint with the LSD, assigns a claim to the LSD or initiates a lawsuit against the employer. This protection extends to employees who cooperate in a wage payment investigation or lawsuit.

Employers that discriminate against their employees are subject to additional lawsuits and any resulting court-ordered relief, including rehiring or reinstating an employee with back pay.

MORE INFORMATION

Please contact Heffernan Insurance Brokers for more information on wage payment and work hour laws in Iowa.

This guide is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. It is provided for general informational purposes only. Readers should contact legal counsel for legal advice. © 2013, 2018 Zywave, Inc. All rights reserved.