OFFICE OF THE COMPTROLLER
ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG

CTR Mandatory and Voluntary Deductions Policy

Effective: July 1, 2004
Last Updated: January 26, 2026

Executive Summary

There are two types of payroll deductions: mandatory and voluntary. All deductions must be authorized by statute or other legal authority.

Mandatory Deductions

Mandatory payroll deductions are mandated by statute and can either be pre or post tax deductions. Mandatory deductions include federal and state taxes, retirement contributions, and wage garnishments. These deductions are transferred by the Office of the State Treasurer to the proper Commonwealth accounts or Payees.

Voluntary Deductions

Voluntary payroll deductions are for programs that are legislatively authorized as either a Commonwealth program or a program in which the Commonwealth's fiduciary responsibility is limited solely to ensuring that the employee's requested deduction is disbursed to the designated authorized vendor. Voluntary deductions are payroll deductions that an employee can authorize to be taken from their net pay and have it paid directly to an authorized vendor. They can either be pre or post tax deductions.

Programs sponsored by the Commonwealth include, but are not limited to: health programs sponsored by the Group Insurance Commission, the Dependent Care Assistance Program offered by the Group Insurance Commission, and the Deferred Compensation Program offered by the Office of the State Treasurer. Payroll deductions for which the Commonwealth merely has a disbursement role include Savings Bonds, COMECC, dental/vision insurance, special insurance programs endorsed by recognized state employee organizations, union dues and agency fees.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Policy

Deduction Hierarchy

Mandatory and voluntary payroll deductions are taken from an employee's pay in this order:

- **Federal Tax** – mandatory deduction for federal tax based on employee's Form W-4.
- **Federal Additional Tax** – voluntary deduction for additional federal tax authorized by employee on Form W-4.
- **Medicare Tax** – mandatory deduction for Medicare tax for employees hired on or after 4/1/86.

- **Medicare Additional Tax** – voluntary deduction for additional Medicare tax authorized by employee.
- **State Tax** – mandatory deduction for state tax based on employee's Form W-4 or Form M-4.
- **State Additional Tax** – voluntary deduction for additional state tax authorized by employee on Form W-4 or Form M-4.
- **Regular Retirement** – mandatory pre-tax deduction for regular retirement (both regular and Higher Ed) contribution for state employees only.
- **Additional Regular Retirement** – mandatory additional percentage of pre-tax retirement deduction on an employee's wages over a specified base (e.g. $30,000 or $45,000 per year). Sometimes applicable based on hire date.
- **Alternate Retirement** – mandatory pre-tax deduction for alternate retirement for contract employees.
- **Wage Garnishments** – mandatory post-tax deduction to satisfy a bankruptcy order, a child support order, IRS tax levy, Department of Revenue (DOR) tax levy, Spousal Support, Student Loan repayment, Department of Transitional Assistance (DTA) recovery of overpayments, Division of Medical Assistance (DMA) reimbursements of medical assistance and court ordered garnishment.
- **Makeup Alternate Retirement** – voluntary post-tax deduction for alternate retirement that a contract employee is paying back (makeup).
- **Extra Regular Retirement** – upon approval from the Retirement Board, a mandatory pre-tax deduction amount for employees who need a temporary adjustment to their contribution rate. Required due to a system processing or data entry error on the original rate.
- **Emergency Advance Payback** – mandatory deduction for an employee who was given an advance from the Department's DynaCash account in the previous pay period due to unpaid time.
- **Makeup Regular Retirement** – upon approval of the Retirement Board, a voluntary pre-tax deduction for an employee who wants to buy back months/years of eligible retirement benefit after having had a break in their state service.
- **Basic Insurance** – voluntary pre-tax deduction for health insurance premiums and voluntary post-tax deduction for life insurance premiums for employees.
- **Optional Life Insurance** – voluntary post-tax deduction to purchase optional life insurance.
- **Long Term Disability (LTD) Insurance** – voluntary post-tax deduction to purchase long-term disability insurance.
- **Dental/Vision Insurance** – voluntary post-tax deduction for dental/vision insurance premiums –for management, confidential employees, Judicial employees, constitutional offices and other authorized Departments not covered by their collective bargaining agreements.
- **Special Insurance Deductions** – voluntary post-tax deduction for the purchase of special insurance (based on union endorsement).
- **Union Dues** – mandatory post-tax deduction for union dues for all employees who belong to a bargaining unit.
- **Agency Service Fees** – mandatory post-tax deduction for agency service fees for those employees who choose not to join a union.
- **Voluntary Union Deductions** – voluntary post-tax deduction for union sponsored activities.

- **Dependent Care Assistance Program (DCAP)** – voluntary pre-tax deduction for dependent care assistance program. Subject to an annual limit.
- **DCAP Fee** – mandatory post-tax deduction for an administrative fee if employee is enrolled in the DCAP program.
- **Tax Shelter Annuity (TSA)** – voluntary pre-tax contribution to a tax sheltered annuity plan for retirement savings. Subject to an annual limit.
- **Deferred Compensation** – voluntary pre-tax deduction to a deferred retirement savings plan. Subject to an annual limit.
- **Savings Bonds** – voluntary post-tax deduction to purchase savings bonds.
- **COMECC** – voluntary post-tax deduction for a contribution to the Commonwealth of Massachusetts Employees Charitable Campaign (COMECC).
- **MBTA Passes** – voluntary deduction for MBTA transit pass (bus, subway, boat and rail). All, or a portion, of this deduction, (depending on the pass value) is treated as a federal pre-tax benefit.
- **U.Fund** – voluntary post-tax contribution to a college tuition savings plan.
- **Commonwealth Fees** – voluntary post-tax deduction to satisfy an authorized fee owed by employees to the Commonwealth.

Deduction Eligibility Chart		
Deduction	State Employees	Contract Employees
Federal Income Tax	**X**	**X**
Medicare Tax *mandatory deduction for employees hired after March 31, 1986	**X***	**X***
State Income Tax	**X**	**X**
State Retirement	**X**	
Higher Ed Optional Retirement	**X**	
Extra Retirement – Adjustments	**X**	
Alternate Retirement *If employee not eligible for State Retirement, they must contribute to Alternate Retirement	**X***	**X**
Wage Garnishments	**X**	**X**
Emergency Advance Payback	**X**	**X**
Make Up Retirement	**X**	
Basic Insurance	**X**	
Optional Life Insurance	**X**	
Long Term Disability	**X**	
Dental/Vision Insurance	**X**	
Special Insurance *Related bargaining units	**X***	
Union Dues	**X**	**X** (for certain unionized faculty)
Agency Service Fees	**X**	
Voluntary Union Deductions	**X**	
DCAP	**X**	**X**
TSA *Are offered to all employees of community colleges, state colleges, universities, and other qualified individuals employed in an educational capacity	**X***	**X***
Deferred Comp	**X**	**X**
Savings Bonds	**X**	**X**
COMECC	**X**	**X**
MBTA Passes	**X**	**X**
U.Fund	**X**	**X**
Commonwealth Fees	**X**	**X**

Funded/Unfunded Processing

All mandatory and voluntary deductions, with the exception of Savings Bonds, are subject to funded/unfunded processing. If the payroll account from which the deduction amount to be taken is unfunded at the time of payroll processing, the deduction will not be taken. Once the account is funded, the deduction will be processed and payment will be sent to the appropriate payee.

Payroll Deduction Responsibilities

The Commonwealth is responsible for ensuring an employee's voluntary and mandatory payroll deduction is disbursed to the designated authorized vendor and for making changes to mandatory

deductions as ordered by the cognizant authority. In keeping with that fiduciary responsibility, each affected party has responsibilities that are outlined below:

Employee Responsibilities

The employee is solely responsible for:

- Initiating new deductions, changing deductions or canceling deductions with an authorized vendor.
- Providing his/her payroll Department with the necessary authorization when starting or changing a payroll deduction.
- Providing his/her payroll Department with the necessary discontinuation form when ending a payroll deduction.
- Knowing what type of policy/account they have, who their authorized vendor is, what their policy/account contains, and the amount they have authorized to be deducted through the payroll system.

Payroll Department Responsibilities

The payroll Department is solely responsible for:

- Ensuring that only court ordered or legislatively authorized deductions are processed.
- Verifying, entering or discontinuing an employee's voluntary payroll deduction based on authorization provided to them by the employee.
- Making changes or canceling an employee's voluntary deduction only with written authorization from the employee, unless a deduction is found not to be court ordered or legislatively authorized.
- Rectifying immediately, upon discovery, any data entry error made by the payroll Department and recapturing any misdirected payments on behalf of the employee.

The payroll Department is not responsible for knowing what type of policy/account an employee has or what their policy/account contains.

Authorized Vendor Responsibilities

The authorized vendor is responsible for:

- Correctly applying payments received from the payroll system of the Commonwealth on behalf of its employee(s).
- For Special Insurance deductions only: verifying that an employee is part of a bargaining unit that endorses said authorized vendor prior to discussing a payroll deduction for that employee.

Office of the Comptroller Responsibilities

The Office of the Comptroller is responsible for:

- Reviewing and approving/disapproving all payroll deduction requests from Departments in accordance with statute or other legal authority.
- Providing a system to enable Departments to accurately process deductions on behalf of employees.

- Establishing clear guidelines, communicating changes in policy and providing payroll systems that can accurately and completely remit authorized deductions to authorized vendors.
- Maintaining the Vendor and Payee tables.

Vendor Payment Table

The Vendor Payment Table lists all vendors authorized by the Office of the Comptroller. The Office of the Comptroller manages the Vendor Payment table and verifies that the authorized vendor is part of an authorized deduction program.

All deductions will be paid to authorized vendors by Electronic Funds Transfer (EFT). EFT payments will require a bank account number and bank routing number for all vendors established on the Vendor Payment Table. Departments must obtain this EFT information from the authorized vendors.

Authorized vendors can have multiple deduction codes associated with their vendor id. An authorized vendor can request that payments associated with each deduction code under their purview be sent to separate banks. The authorized vendor can also have all his/her deduction payments roll up into one payment. The flexibility of the payroll system can handle both situations.

Departments who wish to add an authorized vendor to the Vendor Payment Table must submit an Authorized Vendor Request Form to the Comptroller's Payroll Unit. If the authorized vendor is verified as part of an authorized program, the Payroll Unit will add the vendor to the vendor table. If the request is not authorized, the Comptroller's Payroll Unit will return the request form to the Department with the reason for denial.

Garnishment Payee Table

Employees with mandatory garnishment deductions (authorized by a court order, tax levy or other legal entity) will have their payments going to payees listed on the Garnishment Payee Table. The Garnishment Payee Table is separate from the Vendor Payment Table and only includes these payable entities: the IRS, DOR, Spousal Support payees, DMA, DTA, Student Loan payees, bankruptcy payees and other payees authorized by law. The Office of the Comptroller manages the Garnishment Payee table.

Garnishment deductions to government payees (IRS, DOR, DMA, DTA, Student Loan payees) will be paid by Electronic Funds Transfer (EFT). For other payees, such as court ordered spousal support, Departments should obtain a bank account number and bank routing number for EFT processing.

Note: Please refer to the CTR Wage Garnishments Policy for authority for wage garnishments.

Information Sources

Legal Authority

- 801 CMR 4.03: Commonwealth Fees
- 26 USC § 3402(a)(1): Federal Withholding Tax
- 26 USC § 3121(u)(2): Medicare Tax (FICA)
- 26 USC § 219: Computation of Taxable Income, Additional Itemized Deductions
- 26 USC § 404: Deferred Compensation
- M.G.L. c. 7A §§ 3, 7, 8

- M.G.L. c. 62 § 2: State Withholding Tax
- M.G.L. c. 32 §§ 22-25: Regular Retirement
- M.G.L. c. 15A § 40: Alternate Retirement
- M.G.L. c. 29 §§ 23-25, 31: Salary Advances
- M.G.L. c. 32A, §§ 4, 5, 8, 10C: Basic Insurance
- M.G.L. c. 149 § 178B: Optional Deductions
- CTR Optional Deduction Policy issued by the Office of the Comptroller
- M.G.L. c. 180 § 17A: Union Dues
- M.G.L. c. 180 § 17G: Agency Service Fees
- IRS Code Title 26 § 129: Dependent Care Assistance Program
- IRS Publication 571: Tax-sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations
- M.G.L. c. 29 § 64: Deferred Compensation
- M.G.L. c. 180 § 17F – Contributions to Mass Independent Health Agencies
- M.G.L. c. 180 § 17J – Insurance and Employee Benefits
- M.G.L. c. 154 § 8 – Savings Bonds
- M.G.L. c. 180 § 17B – COMECC
- M.G.L. c. 180 § 17H – MBTA Passes
- M.G.L. c. 180 § 17L – State Tuition Program

Related Policy

- CTR Wage Garnishments Policy

Contacts

- CTR Solution Desk