



State and Local Labor Policy Working Paper Series

Payroll Deductions to Fund Worker Power

Policy Brief

Legally authorized payroll deductions are amounts withheld from an employee’s paycheck that are either mandated by law or are made at the request of and with the written consent of an employee. In addition to taxes and benefits, authorized payroll deductions can include union dues and voluntary contributions to charitable organizations. This brief provides examples of state and local legislation that authorize voluntary payroll deductions for worker directed contributions to support worker power organizations.

These deductions could include alternative financing models, for example, that enable opportunities for workers who are not covered by collective bargaining agreements to become “associate members” of unions or other labor organizations through their financial solidarity.

Of course, worker organizations would still need to convince workers to make these contributions in the first place, and policymakers should consider additional policy interventions that could offer stronger “value propositions” to workers in exchange for dues contributions. For example, policymakers could enable labor organizations to offer more benefits and services to workers, such as subsidizing worker organization-run job training services, insurance (such as worker compensation), or other benefits.

Policy Solutions

- **Legislation that requires employers to process voluntary deductions of union dues.**
 - Lawmakers should, at a minimum, ensure that public-sector employers are required to deduct union dues when authorized by the employee. Currently, at least six states bar union dues deductions for public employees.¹
 - Lawmakers can also expressly permit private sector employers to make deductions when authorized by a collective bargaining agreement. Like many states, a 2023 [Michigan](#) law permits union dues deduction as part of the state’s payment of wages statute.

¹ Wisconsin’s 2011 Act 10 [barred dues deduction](#) for general public employees, and [West Virginia](#), [Tennessee](#), [Arkansas](#), [Florida](#), and [Kentucky](#) have all followed suit.

- **Legislation to make union dues exempt from state income taxes.**
 - Lawmakers can exempt union dues from state income taxes (i.e., using “pre-tax” dollars for state law purposes), as [Maryland did for union dues in 2023](#).

- **Legislation to authorize or require employers to deduct contributions from workers’ paychecks and remit to worker-focused organizations.**
 - Lawmakers could require employers to make voluntary payroll deductions for employee donations to worker-focused nonprofit organizations, contributions to which are already tax-deductible under federal and state law. Payroll deduction requirements could be opt-out in certain industries, for example, those with sectoral agreements.
 - For example, Missouri [passed a law that took effect in 2017](#) requiring employers to allow workers to deduct from their paychecks for Political Action Committees upon the written request of ten or more employees. [Pennsylvania law](#) provides payroll deductions for charitable purposes, local area development activities, and “[s]uch other deductions authorized in writing by employees as in the discretion of the Department”. Other states, like [Maryland](#), allow recurring contributions [with affirmative consent](#). States like [Tennessee](#) and [Idaho](#) have significantly limited recurring contributions.

- **Legislation could support unions and other worker organizations in offering a stronger value proposition to workers, including worker organization-run benefits and services.**
 - Policymakers could support unions and other worker organizations in offering more benefits and services to more workers, including job training or insurance, especially where labor organizations could build on their existing expertise and connections to workers and where the provision of such benefits and services could help cover more workers more efficiently.