

Understanding Deductions on a Biweekly Pay Cycle

There are two types of deductions taken from paychecks:

- Flat dollar amount deductions are set dollar amounts that *do not* vary from paycheck to paycheck (e.g. \$25). Examples: health and welfare benefits, transit and parking deductions, credit union deductions, loan payments, etc.
- Percent deductions are proportionate to your earnings (e.g. 2% of your gross pay. Gross pay may vary if you work overtime or work a variable schedule.) Examples: state and federal taxes, UC Retirement Plan, Medicare, OASDI, etc.

For biweekly paid employees, payroll deductions are split across the biweekly paychecks.

- Flat dollar amount deductions are divided and deducted twice each month.
- Percentage based deductions are deducted from every check.

Payroll deductions are taken in this way to provide biweekly paid employees with a more predictable "take home" or "net" pay.

Benefits "Holidays" - When there are three biweekly pay periods in a month, the flat dollar amount deductions are not taken from the paycheck that represents the third pay period. The paydays when flat dollar amount benefits are not deducted are referred to as benefits "holidays." This typically occurs twice each year.

It may be helpful to take a look at the [payroll calendar](#). Note that two months of the year have three pay period end dates. The paychecks for time worked during the third pay period of the preceding month have benefit holidays.

An Exception for Garnishments - *All* garnishments, whether flat dollar amounts or percentages, are deducted from every paycheck. This is the only exception to the way that flat dollar and percentage deductions are made. Flat dollar garnishments are calculated as follows: Monthly amount times 12 divided by 26. Example: \$500.00 per month equals \$6,000.00 per year, divided by 26 equals \$230.77 biweekly deductions.

	Percentage Based Deductions	Flat Dollar Amount Deductions
	<i>Withheld from every paycheck (26 times per year)</i>	<i>Withheld from first two biweekly paychecks of the month (24 times per year) -- except garnishments</i>
Insurance		Health Insurance Life and Dependent Life Accidental Death and Dismemberment Health Care/Dependent Care
Retirement		403B or 457B, if employee has elected flat dollar amount deduction (such as \$100 per month)
Other		Flex Spending Legal Insurance California Casualty Scholarshare Loans, Credit Union and 43B loans Parking and Transit, etc.
Taxes	Federal State OASDI Medicare	
Retirement	UC Retirement Plan (UCRP) 403(B) or 457(B), if employee has elected a percentage deduction (such as 3% of every check)	
Other	Union Dues/Fair Share Garnishments (both percentage and fixed dollar amounts.)	

Key Points:

- Flat dollar amount deductions are split evenly between the two paychecks that represent the first and second biweekly pay periods of that month.
- When there are three (3) biweekly pay period end dates in a calendar month (which typically occurs twice each year), no flat dollar amount deductions will be taken from the pay check for the third biweekly pay period. This is called a "benefits holiday."
- Percentage-based deductions are always taken from every check.
- Flat dollar amount garnishments are always taken from every check.