

August 9, 2018

## Labor and Employment Update

*Law 115 of 2018*

### ***Employers can now recover through payroll deductions, certain emergency loans to employees***

In response to the aftermath of Hurricane Maria, which devastated Puerto Rico last September, many employers provided cash loans, payroll advances, emergency equipment (e.g. electric power generators) or materials to help their employees. These were to be later repaid by the employees. However, the law did not provide for the employer to deduct from the employee's payroll the amounts loaned. In fact, Law No. 17 of April 17, 1931, which regulates the payment of wages to non-exempt employees, generally prohibited any such deductions.

Law No. 115, of June 20, 2018, amended Law 17-1931 to address this shortcoming. It added a new exception from the general deduction prohibition, allowing the repayment, through payroll deductions, of cash loans, payroll advances, emergency equipment or materials provided by the employer at a time of emergency, subject to the following requirements:

1. The emergency must be officially declared by the federal government or the Governor of Puerto Rico;
2. The emergency must affect all of Puerto Rico or the municipality where the employee resides or works;
3. The cash loans, payroll advances, equipment or materials must be for the employee's benefit during the emergency;
4. The repayment agreement must be in writing;
5. The agreement must include a repayment schedule, which will not vary over time and will be discounted at regular intervals;
6. The agreement must indicate how the money will be repaid if the employment relationship ends before the amount owed is repaid in full;
7. The employer cannot charge interest on the cash loan or payroll advance, nor charge more than it paid for the emergency equipment or materials; and
8. The deduction cannot be greater than 20% of net wages, after voluntary and legal payroll deductions.

### ***Executive Order increases minimum wage to \$15 for government financed construction***

On July 30, 2018, the Governor of Puerto Rico signed Executive Order No. 2018-033, requiring contractors awarded a construction project financed by the Government of Puerto Rico to:

1. Pay a minimum wage of \$15 per hour;



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2. Enter into labor agreements guaranteeing safety measures and professional training; and
3. Use cement produced in Puerto Rico.

Our team of lawyers at Reichard & Escalera is available to provide assistance on how to implement payroll deduction programs such as the one permitted by Law 115-2018, as well as compliance with the new requirements for government construction projects.

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