

## **FLSA-629**

September 17, 1980

This is in reply to your letter of August 4, 1980, requesting an opinion as to whether your client's proposed payment of vacation pay and other bonuses before they are earned can be considered cash advances.

Your client proposes to allow employees to voluntarily request that they be paid in advance for vacation and other bonuses to be earned in the future. However, if the employee subsequently does not meet the requirements to earn the bonuses, deductions will be made from the employee's wages to recoup the wages paid the employee previously.

It has been the long standing position of the Wage and Hour Division where an employer makes loans or cash advances to the employees, the principal may be deducted from the employee's earnings. However, deductions for interest or administrative costs on the loan or advance are illegal to the extent that they cut into the minimum wage or overtime pay due the employee.

The plan as proposed by your client appears to be in the form of a voluntary agreement to make a vacation loan or wage advance to the employee should the employee desire it in advance of earning it. Therefore, the Division sees no invalidity to such an agreement provided the employer makes no assessments for interest or administrative costs.

If you have any further questions, please feel free to contact this office at any time.

Sincerely,

Henry T. White, Jr.  
Deputy Administrator