



## **New Protections from Franchise Tax Board Wage Garnishment and Bank Levies for Vehicle-Related and Court-Ordered Debts**

Starting January 1, 2022

[Assembly Bill 176 \(2021\)](#), signed into law by Governor Gavin Newsom, extends certain consumer debt collection protections to vehicle-related debts and court-ordered debts that are collected by the Franchise Tax Board (FTB). Beginning January 1, 2022, limits on wage garnishment and bank levies will apply to these FTB collection activities.

**Protections Apply to Vehicle-Related Debts and Certain Court-Ordered Debts:** The new protections created by AB 176 apply to the following types of debts:

- **Vehicle-related debts:** registration fees, transfer fees, license fees, use tax fees, parking offense fees, unpaid tolls, and court-imposed fines and penalty assessments related to the Department of Motor Vehicles (DMV); and
- **Court-ordered debts:** criminal fines and fees, state or local penalties, bail, fines related to traffic violations, and amounts owed for the cost of legal services provided in juvenile dependency proceedings. The new protections do not apply to restitution fines or restitution orders, or child support orders.

**Protections from Wage Garnishment:** AB 176 requires wage garnishments – money that is taken automatically from a person’s pay to go towards their debts – for applicable debts to be capped at the lesser of 25% of the person’s weekly disposable earnings or 50% of the amount by which the person’s disposable earnings for the week exceed 40 times the minimum hourly wage of the person’s local area. [Senate Bill 501](#), enacted in 2016, provided these same protections for consumer debts.

**Protections from Bank Levies:** AB 176 also protects a baseline amount of money in a person’s bank account from FTB bank levies for the vehicle-related and court-ordered debts listed above. The [current baseline is \\$1,826](#). The baseline—regardless of the person’s household size—is determined by using the [“Minimum Basic Standard for Adequate Care” \(MBSAC\)](#) for a family of four. This amount is set by state law and adjusts every year to reflect changes in the cost of living. [Senate Bill 616](#), enacted in 2020, provided a similar protection for bank levies relating to consumer debts.

**Other Government Debts Not Protected by AB 176:** AB 176 applies protections already in place for consumer debt to only some kinds of government debt. It does not protect against bank levies or wage garnishment related to child or spousal support; unpaid income tax; government-owned school loan debt; or any other type of government debt. It also does not provide protection against bank levies or wage garnishment related to restitution orders or restitution fines.

**COVID-19 Financial Assistance Also Protected:** As a reminder, Governor Gavin Newsom’s [Executive Order N-57-20](#) provides protections against bank levies and wage garnishment for funds traceable to COVID-related financial assistance. The Executive Order provides that any federal, state, or local government financial assistance to individuals in response to the COVID-19 pandemic is exempt from any attachment, levy, execution, or garnishment. The Executive Order’s protections do not apply, however, to the collection of child, spousal, or family support or criminal restitution payable to victims.

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