



PAYROLL CURRENTLY

The Compliance Publication of the American Payroll Association

Inside Washington

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APA Testifies on Vermont, Connecticut Paycard Bills

In February, the APA responded to invitations to testify before state legislatures in Connecticut and Vermont on paycard bills under consideration.

Vermont S.B. 58

The Vermont legislation pertaining to paycards “contains some commendable provisions, which, were they not to be included in the law, the APA would consider best practices on the part of employers,” said Bill Dunn, CPP, in testimony before the Vermont House Committee on General, Housing, and Military Affairs on February 4. “However, there remains a single provision in the bill that will make it unlikely that paycards will be used in the state of Vermont if it were to become law. That provision is the requirement to provide three free transactions per pay period.”

The APA believes that there is no reason for Vermont to legislate three free transactions because cardholders actually have plenty of access to their money without incurring any fees at all. Because all paycards used in Vermont must be branded – that is, they must display a Visa, MasterCard, or Discover logo – cardholders are entitled to cash out their cards without charge at any financial institution displaying those logos.

Employers’ concern is that they may be held responsible for the cost of multiple ATM transactions, which would incur fees.

“Payroll cards should be subject to the same restrictions as other payment methods, such as direct deposit,” Dunn said. “There is no reason to require more restrictions. Beyond ensuring that workers can obtain the full amount of their pay without cost, at least once per pay period, employers should not be expected to assume responsibility for the discretionary banking costs of their workers.”

Dunn advised the committee that, if employers were to stop providing payroll cards, employees would likely continue to use reloadable debit cards to receive their pay, but on much less favorable terms than employers would provide. Check cashers offer such cards to their clients, which employees without bank accounts use to set up direct deposits. By passing legislation supported by employers, the state gains the ability to enforce important consumer protection provisions.

S.B. 58 includes two provisions in particular that APA considers best practices for employers. First, the bill requires that all fees that might be charged be explained up front. Second, employers must apprise employees in advance of any changes to the plan. “Employers do not benefit from programs that make their employees unhappy,” Dunn told the committee. “Especially in voluntary programs, it is to the employer’s benefit to follow these practices. The APA also appreciates that the bill allows for the use of nonbranded cards on a temporary basis. The use of nonbranded cards allows employers to issue cards instantly to their employees, either on the date of hire or as replacement cards.”

Connecticut S.B. 94

On February 18, APA member Carl Morris told the Connecticut Senate Committee on Labor and Public Employees that “the APA commends this legislation



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and this body's decision to clearly define and acknowledge payment of wages via an electronic wage card. The addition of this law eliminates confusion and questions common in states with no paycard legislation.”

Morris is Director of Payroll Cards for American EPAY and an active member of the APA's Government Affairs Task Force, Subcommittee on Paycards.