APA Testifies on Connecticut Paycard Bill

For the third year in a row, Connecticut is considering a paycard bill. S.B. 155 would allow employers to pay all wages electronically, either through direct deposit or paycard without offering paper checks as an alternative. Employees receiving their wages by paycard would have the right to switch to direct deposit to a bank account at any time.


This same bill narrowly missed becoming law in 2011 when time ran out and the House adjourned before it could be brought up for a vote. It was expected to pass easily and move through the Senate just as easily.

In 2011, employer groups, paycard providers, and consumer advocates all felt they had negotiated the best compromise possible, so none of them had requested amendments to the bill that was introduced in 2012. Two unions, however, did testify in opposition to it at the February hearing, citing fears that the bill was not in the best interests of employees.

“This bill would favor bankers over employees. Especially for low paying jobs, it’s likely to lead to exploitive fees, lost and unrecoverable money, and transfer of liability to the employee,” said Brian Anderson, legislative and political representative for Council 4 AFSCME.

The cost to the employee was addressed in the testimony of Kate Viar, director of state government relations for Visa. “Without a bank account … employees are forced to rely on check cashing services to access their wages. Check cashers can charge a fee of up to 2%, which is quite significant for most workers. Indeed, the costs of being unbanked or under-banked go far beyond fees for cashing paper checks. Fees for money orders and express pay services, transportation costs to pay bills in person, and postage/express shipping costs all add to the costs of being unbanked or under-banked.”

Beyda testified that, “Connecticut remains one of just a handful of states that does not clearly recognize the use of payroll cards for wage payments. S.B. 155 would enable employers to offer this beneficial payment method to their employees as a complement to their direct deposit programs. Although many employers currently offer direct deposit to their employees, a large number of employees are unable to participate in direct deposit because they have little or no access to mainstream financial services. Payroll cards allow employers to provide the benefits of electronic wage payment, including access to full wages each pay period without cost, to all employees because no bank account or credit check is required.”

Raphael Podolsky, testifying on behalf of the Legal Assistance Resource Center of Connecticut, Inc., said that, “While the bill is not perfect, from a consumer perspective it does include a significant number of protections related to its use. For that reason, the consumer attorneys with whom I work do not oppose the bill in its present form.”

One of the consumer protections in the bill to which he referred is that creditors cannot attach a payroll card account. APA members have reported that certain employees are reluctant to obtain bank accounts precisely because they can be attached by creditors. This provision, therefore, would seem to make electronic payments a viable option for those employees. Note that this provision does not prevent the garnishment of wages prior to their deposit into the paycard account; therefore, card holding employees would still be subject to wage withholding for creditor garnishments, tax levies, and child support withholding just as if they received their pay by check or direct deposit.


Is Pennsylvania Requiring All Employees to Have Street Addresses?

Pennsylvania Act 32, which overhauled the state’s local earned income tax collection system, went into effect throughout the state on January 1, 2012. Act 32 was passed in 2008, giving employers plenty of time to prepare for the coming changes, and yet, for the second year in a row, tax collectors have managed to throw employers a curve ball that threatens their ability to comply.

In December 2010, four counties announced that they would implement Act 32 a year early. Amid employer protests, all but Chester County announced that they would not impose penalties for noncompliance in 2011.

Now comes word that employees who provide post office box addresses instead of street addresses on their Residency Certification Form will be deemed to have provided “incorrect information.” According to the Department of Economic and Community Affairs Task Force, the move was made to reduce the risk of identity theft by using a set of rules to confirm a person’s place of residence. However, the move has met with strong opposition from employers who argue that it unfairly penalizes employees who are not able to pay their taxes using a street address.

According to the Department of Economic and Community Affairs, the change was made to align with the state’s residency certification process, which is used to verify an employee’s eligibility for certain benefits. The new rules require employees to provide a street address as a minimum, and a post office box address is not considered a street address. As a result, employees may be incorrectly flagged as nonresidents, which could affect their eligibility for certain benefits and services.

Employers have been concerned about the implementation of Act 32 since its passage in 2008, citing increased reporting requirements and administrative burden. The new rules add another layer of complexity, and many employers have expressed frustration with the lack of clear guidance for how to comply with the regulations.

The Department of Economic and Community Affairs has acknowledged the concerns raised by employers and is working to provide additional guidance and support to help them comply with the new requirements. However, many employers remain concerned about the potential for errors and the impact on their operations.

The issue of using post office box addresses instead of street addresses has also sparked debate among policymakers and stakeholders. Some argue that the requirements are necessary to prevent fraud and ensure the accuracy of residency certifications, while others believe that they unfairly penalize employees who are unable to use street addresses.

In the meantime, employers are urged to carefully review the new rules and seek guidance from the Department of Economic and Community Affairs to ensure compliance with the regulations. They are also encouraged to stay informed and advocate for changes to the system that better meet the needs of employers and employees alike.

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The 2012 Form 941 differs slightly from the 2011 form. First, the 2012 form does not contain the text box next to lines 5a, 5b, and 5c that was printed on the 2011 form. The deleted text used to state “For 2011, the employee social security tax rate is 4.2% and the Medicare tax rate is 1.45%.” The employer social security tax rate is 6.2% and the Medicare tax rate is 1.45%.” Second, lines 6a-6d were deleted and do not appear on the 2012 form. Line 6 only appears as one line on the 2012 form and still shows the total taxes before adjustments. The 2011 form previously had this line listed as 6e. Third, the wording on Line 11 has been adjusted to read “Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-X or Form 944-X.” Fourth, line 16 from the 2011 form, which asked the taxpayer to write the abbreviation of the state(s) where deposits were made has been deleted and the 2012 form asks for the tax jurisdiction.

The VOW to Hire Heroes Act of 2011 provides an expanded Work Opportunity Tax Credit (WOTC) for businesses that hire eligible unemployed veterans. It also extends the credit to certain tax-exempt organizations for the first time. The credit is available to businesses and tax-exempt organizations that hire unemployed eligible veterans who began work on or after November 22, 2011, and before January 1, 2013, and who meet certain criteria, based on their period of unemployment.

Businesses can claim the credit as part of the general business credit by filing Form 5884. Work Opportunity Credit: Tax-exempt organizations can claim the credit against their payroll tax liability on Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans.

Employers fill out Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit, prior to hiring an individual to certify that he or she is an eligible veteran for purposes of qualifying for the WOTC. This form is filed with the employer’s state workforce agency (SWA) no later than the 28th day after the job applicant begins work for the employer.

Two new categories for qualified veterans have been added to Form 8850, making the WOTC more widely available to qualifying business and tax-exempt organizations. Checkboxes have been added for veterans unemployed for a total of more than four weeks but less than six months during the past year and for veterans unemployed for a total of six months or more during the past year.

Notice 2012-9 (see PAYROLL CURRENTLY, Issue No. 1, Vol. 20) restates and amends the interim guidance on informational reporting to employees of the cost of their employer-sponsored group health plan coverage. The IRS has released a chart, based on the guidance in Notice 2012-9, showing employers the types of reporting that are required for 2012 (see “IRS Chart Summarizes Rules on W-2 Reporting of Employer-Provided Health Coverage” in PAYROLL CURRENTLY, Issue No. 3, Vol. 20)