



PAYROLL CURRENTLY

The Compliance Publication from the American Payroll Association

Inside Washington

March 4, 2016

APA Testifies in Favor of Connecticut Paycard Bill

On February 25, Cathy Beyda, Esq., chair of the APA's Government Relations Task Force Subcommittee on Payroll Cards, testified before the Joint Committee on Labor and Public Employees in support of S.B. 211, An Act Allowing Employers to Pay Wages Using Payroll Cards.

For the past several years APA has supported bills in the Connecticut legislature that would enable employers to use payroll cards in the state. Connecticut is the only state that does not recognize payroll cards as a legitimate form of wage payment. The Connecticut Department of Labor (DOL) believes the law does not currently allow for their use. Further, it believes the very fact that the legislature has struggled to enact a law allowing for payroll cards bolsters its position.

"Payroll cards are now a mainstream method of wage payment," Beyda told the Committee. "Yet, Connecticut appears to be the only state whose wage and hour regulators do not recognize payroll cards to be a permissible method of wage payment. S.B. 211 would remedy this situation and make clear that employers may offer this beneficial payment method to their employees as a voluntary alternative to direct deposit and paper paychecks."

Beyda added that "a surprisingly large number of employees are unable to participate in direct deposit because they do not have bank accounts or have limited access to traditional banking services. A 2013 study by the Federal Deposit Insurance Corporation (FDIC) found that 20% of all Connecticut households are either *unbanked*, having no checking or savings account, or *underbanked*, having a checking or savings account but still reliant on alternative financial services such as check cashing."

Specifically, the FDIC National Survey of Unbanked and Underbanked Households shows that 5.6% of Connecticut households were unbanked and 14.4% of Connecticut households were underbanked in 2013.

"These workers often have little choice but to utilize expensive alternative financial services, such as check cashers, to access their wages," Beyda said. "Check cashing services in Connecticut may lawfully charge up to 2% of the face amount of the check or \$1, whichever is greater. This means that a minimum wage worker in Connecticut, working 40 hours a week could pay over \$360 a year in check cashing fees, not to mention the additional cost of purchasing money orders to pay their bills."



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Legislation is necessary

Beyda urged the committee to pass legislation. “A statutory amendment is necessary to make clear that employers in Connecticut may implement beneficial electronic wage payment programs that include payroll cards. Currently, the Connecticut wage payment statute allows employers to deposit an employee’s wages into his or her account at a bank upon the employee’s written request, but does not expressly mention payroll cards. Although payroll cards involve the deposit of wages into an employee’s account at a bank, the Connecticut DOL takes the position that the use of payroll cards is not permitted in the absence of express statutory authority.”