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## **OLR Bill Analysis**

### **HB 5315**

#### ***AN ACT ALLOWING EMPLOYERS TO PAY WAGES USING PAYROLL CARDS.***

#### **SUMMARY:**

This bill allows employers to pay their employees through payroll cards if the employer, cards, and payroll card accounts meet certain conditions. Among other things, employers must provide a clear and conspicuous written notice that employees (1) can also be paid in cash, by check, or through direct deposit and (2) are deemed to have consented to being paid through a payroll card unless they notify their employers of how they wish to be paid within two weeks after receiving the notice.

Under the bill, a payroll card is a stored value card (similar to a bank account debit card) or other device that allows an employee to access wages from a payroll card account. It does not include gift certificates or gift cards. A payroll card account is a bank or credit union account established through an employer to transfer an employee's wages, salary, or other compensation.

Regardless of how they are paying wages, the bill allows employers to provide employees with an electronic record of their hours worked, gross earnings, deductions, and net earnings, as long as (1) an employee can access and print it for free and (2) it incorporates safeguards to ensure confidentiality. Current law requires that the record be provided in writing. The bill also eliminates a current requirement that an employee submit a written request to have his or her wages paid by direct deposit. (Presumably, an employee must still provide his or her bank account information voluntarily in order to be paid through direct deposit.)

EFFECTIVE DATE: October 1, 2014

## **PAYROLL CARD CONDITIONS**

The bill establishes the following additional conditions and requirements for employers using payroll cards.

1. Employees must be allowed at least one free withdrawal per pay period for up to the employee's full amount of wages for that period.
2. Employers must allow employees, with timely notice, to switch from a payroll card to direct deposit without cost, fear of reprisal, or any penalty. The switch must occur within 14 days after the employer receives the employee's request and necessary account information.
3. The employer and payroll card issuer cannot deduct a fee from an employee's pay or payroll card account for (a) issuing the card; (b) transferring wages, salary, or other compensation onto the card; (c) maintaining the card's account; (d) providing one replacement card per calendar year at the employee's request; (e) closing the account; (f) a low balance or declined transaction; (g) account inactivity or dormancy; or (h) other similar costs for maintaining or using an account while the employee is employed and for at least 60 days after his or her employment ends.
4. The payroll card and payroll card account cannot be linked to any form of credit and, to the extent technologically feasible, cannot allow for overdrafts. Employees cannot be charged fees or interest for overdrafts or declined transactions.
5. A payroll card issuer can charge an employer fees pursuant to an agreement between the issuer and employer, but these fees cannot be charged or passed on to any employee.
6. Employers must provide clear and conspicuous written notice in the language normally used to communicate employment-related policies on (a) the payroll card's terms and conditions, including a list of fees that the card issuer could assess; (b) how

employees can access their wages, salaries, or other compensation for free; (c) how employees can check their card's account balance for free; and (d) whether third parties can assess additional fees.

7. Employees with payroll cards must receive an annual notice of the card's terms and conditions, including fees, through (a) an electronic notice to an address the employer regularly uses to communicate with the employee, (b) regular mail to the employee's last-known address, (c) distribution at work, or (d) any other means the employer regularly uses to distribute employment-related information.
8. Employers must provide each employee with a payroll card with written notice about any change in the cards terms or conditions no later than 30 days before the change becomes effective.
9. Employers must provide a free way for employees to check their account balances electronically or through an automated phone system.
10. Employees with payroll cards must have access to a history of their past account transactions covering at least the past 60 days. Employers must provide employees with a free (a) confidential way to access and print this history electronically or (b) monthly written transaction history.
11. A card can have an expiration date but (a) the funds on the card cannot expire and (b) the employee must be given a free replacement card before the expiration date. This requirement applies while the employee is employed and for at least 60 days after his or her employment ends.
12. Payroll card accounts must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

The bill extends to payroll card accounts that only receive employee

wages, salary, or other compensation, an exemption from executions to the same extent as currently allowed for wage executions (up to \$348 of wages per week).

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable

Yea 10 Nay 0 (03/18/2014)