



# American Payroll Association

---

Government Relations • Washington, DC

February 12, 2014

Representative Daniel Knodl  
Committee on Labor

Re: Statement in Opposition to AB 687, as Introduced

Dear Representative Knodl,

The American Payroll Association commends the committee's interest in best practices associated with paying Wisconsin's workers, but respectfully opposes Assembly Bill 687, as introduced. If enacted, AB 687 would go beyond requiring full and free access to wages and would require employers to provide free banking services to one group of employees.

We view the restrictions applied by AB 687 as a step backward for the state and harmful to businesses throughout Wisconsin. Wisconsin currently is in good company with fully half the states in the country – 25 in all – considered "[green states](#)," where employers may pay all wages electronically, through a combination of direct deposit and payroll debit cards. We believe any consumer protections implied by the requirement to offer paper checks or to further restrict the use of payroll cards are dubious and fail to hold up to scrutiny.

## **The American Payroll Association**

The APA is a nonprofit professional association representing more than 20,000 payroll professionals and their companies in the United States. The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. In addition, the APA's Government Affairs Task Force works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers.

In 2004, the APA's Government Affairs Task Force formed a Payroll Card Subcommittee in response to an increased interest by employers in the use of payroll cards as part of their wage payment program. This subcommittee monitors the development and use of payroll cards within the employer community and helps educate policymakers and regulators about the benefits and uses of the cards.

## **Payroll Cards Offer a Valuable Solution to Underserved Workers**

Electronic wage payment offers employees access to their pay in a secure and less costly way than paper paychecks. For this reason, the State of Wisconsin itself delivers a number of benefits to its residents using prepaid cards. For instance, Wisconsin makes all unemployment payments electronically, through direct deposit to a bank account or to the Visa-branded [ReliaCard](#). Likewise, FoodShare benefits are automatically deposited to the Wisconsin [QUEST](#) Card.

Similarly, payroll cards offer a valuable form of electronic payment for employees without bank accounts or with limited access to traditional banking services (referred to as the underserved population). These employees are unable to receive direct deposits and are likely to be the principal users of the cards. Payroll cards guarantee underserved employees a means of accessing their full wages without cost. Without payroll cards, underserved employees often are forced to rely on expensive alternative financial services, such as check cashers, to access their wages. They endure yet more expenses when forced to purchase money orders to pay bills. These fees can be eliminated when employees are paid using a payroll card.

A payroll card is a reloadable prepaid (*i.e.*, stored value) card issued to an employee through a national or regional bank, credit union, or savings and loan association on behalf of an employer. Each payday, the payroll card is electronically loaded with the full amount of the employee's net pay.

The majority of payroll cards are branded, meaning they bear the logo of a major payment brand such as Visa or MasterCard. These cards can be used anywhere the payment brand is accepted. This includes, for example, **more than 90,000 bank branches nationwide where employees can receive their full wages from the bank teller at least once each pay period without cost.** In this way, an employee can treat his or her payroll card exactly like a paper paycheck and convert it to cash. Branding also means employees may choose to use their cards to make point-of-sale purchases, receive cash back from point of sale transactions, make purchases by mail, phone or Internet, and pay bills online. Moreover, all of the benefits offered on debit products by the major payment brands are also available on payroll cards free of charge. These include purchase protection, dispute resolution procedures, and zero-liability programs.

A [recent study](#) by the Payment Cards Center of the Federal Reserve Bank of Philadelphia revealed that many employees who use payroll cards do so without ever incurring a fee.<sup>1</sup> However, just like employees with direct deposit who decide to access wages from an out-of-network ATM, employees with payroll cards may incur fees if they fail to take advantage of the many access methods that are offered free of charge. And, as required by law, employees are always provided with clear notice regarding fees.

## **Payroll Cards Are Already Subject to Significant Consumer Protections**

To the extent that AB 687's sponsors view the bill as an effort to regulate payroll cards, this effort is unnecessary. The Federal Reserve Board identified payroll cards as subject to

---

<sup>1</sup> S. Wilshusen, R. Hunt, J. van Opstal, and R. Schneider, *Consumers' Use of Prepaid Cards: A Transaction-Based Analysis* (FRB of Philadelphia Payment Cards Center, August 2012).

Regulation E, which triggers many important consumer protections. For example, if a payroll card is used fraudulently, the cardholder is only liable for up to \$50 in fraud losses if he or she reports the card as lost or stolen in a timely manner. Other protections include disclosure requirements, account history access, and error resolution rights. On September 12, 2013, the Consumer Financial Protection Bureau issued a letter to several U.S. Senators and a public bulletin reiterating its view regarding federal oversight of payroll cards.<sup>2</sup> A copy of the letter is attached for your review.

### **Businesses Benefit From Payroll Cards**

Electronic wage payment (i.e., giving employees the choice between traditional direct deposit and payroll cards) offers businesses an efficient method of wage payment, thereby reducing the cost of doing business in Wisconsin. Electronic wage payment eliminates the cost of issuing and distributing paper paychecks and the significant cost of replacing lost and stolen checks. Furthermore, it facilitates full and timely wage payment to employees who are away from the workplace because of travel, illness, severe weather, and natural disasters.

We would welcome the opportunity to discuss these issues with you further. In this regard, please feel free to contact Bill Dunn (202-232-6889) or Cathy Beyda (650-320-1824) with any questions or concerns that you may have.

Sincerely,



William Dunn, CPP  
American Payroll Association  
Director of Government Relations



Cathy Beyda, Esq.  
American Payroll Association  
Chair, Paycard Subcommittee, Government Affairs Task Force

cc:

Representative Chris Kapenga (Vice Chair)  
Representative Stephen Nass  
Representative Mike Kuglitsch  
Representative Joel Kleefish  
Representative Bob Kulp  
Representative Christine Sinicki  
Representative Chris Taylor  
Representative Todd Ohnstad

---

<sup>2</sup> See Consumer Financial Protection Bureau, CFPB Bulletin 2013-10, Payroll Card Accounts (Regulation E) (September 12, 2013), available at [http://files.consumerfinance.gov/f/201309\\_cfpb\\_payroll-card-bulletin.pdf](http://files.consumerfinance.gov/f/201309_cfpb_payroll-card-bulletin.pdf).