



American Payroll Association

Government Relations • Washington, DC

Written Testimony in Support of Rhode Island House Bill 5590, An Act Relating to Labor and Labor Relations – Payment of Wages

**House Labor Committee
March 12, 2015**

The American Payroll Association (APA)¹ appreciates the opportunity to submit written testimony in favor of HB 5590. The APA fully supports making payroll cards a permissible method of wage payment in Rhode Island, and commends the House Labor Committee for addressing this important issue.

Currently, Rhode Island law authorizes employers to pay wages to their employees in cash or using checks that are convertible in cash on demand at full face value. In addition, employers may pay wages by direct deposit to an employee's checking or savings account upon the request of an employee. Rhode Island law does not currently address payroll cards, however.

Payroll cards bring the benefits of direct deposit to employees without bank accounts and to employees with limited access to traditional financial services. They are now a mainstream method of payment. Indeed, in 2013, employers loaded wages onto approximately 5 million payroll cards.²

A payroll card is a reloadable prepaid card issued to an employee through the employer that allows the employee to access his or her wages from an account at a financial institution established on behalf of the employee. Each payday, the employee's net wages are deposited into his or her payroll card account. The employee can then use the payroll card to access his or her net wages in cash, or to make purchases and pay bills in person, online or over the telephone. Like other forms of direct deposit, payroll cards provide employees with a safe, secure and convenient method of receiving their wages.

Despite these benefits, Rhode Island remains one of only two states whose labor department (the Department of Labor and Training) does not recognize payroll cards to be a permissible method of wage payment in the absence of express statutory authority. HB 5590 would remedy this.

Under HB 5590, direct deposit to an employee's payroll card account would be permitted upon the written or electronic request of the employee. The bill would require that employees who

¹ 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.

² Mercator Advisory Group, *Eleventh Annual U.S. Prepaid Cards Market Forecasts, 2014-2017* (November 2014).

receive payroll cards be able to withdrawal their full net wages from their accounts without cost. Employees would also be provided a means of checking the balance in their payroll card accounts through an automated telephone system and one additional electronic means, without cost. Finally, the bill would require that the payroll card account carry all of the consumer protections that apply to payroll card accounts under the Electronic Fund Transfer Act and its implementing regulation, Regulation E. These protections include limited liability in the event of a lost or stolen card, dispute resolution procedures, and access to account transaction information.

Many consumer advocates and government regulators agree that payroll cards can be a very beneficial wage payment option. For example, Javier Palomarez, President and CEO of the United States Hispanic Chamber of Commerce, published on Op-Ed stating that:

Payroll cards offer those with no banking access a dependable option for protecting their finances. Empowering our citizens with this much needed access, security, and convenience of prepaid payroll cards allows the unbanked to save more of what they earn and helps them build a solid financial foundation.³

A statutory amendment is necessary so that employers in Rhode Island may implement electronic wage payment programs offering payroll cards. For these reasons, the APA respectfully requests that you support HB 5590.

Please contact Bill Dunn (202-232-6889) or Cathy Beyda (650-320-1824) with any questions.

Sincerely,



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



William Dunn, CPP
American Payroll Association
Director of Government Relations

³ http://www.huffingtonpost.com/javier-palomarez/payroll-cards-a-valuable-b_4555801.html