

# AMERICAN PAYROLL ASSOCIATION

May 1, 2018

## APA Statement Regarding Senate Bill 84

As the bill was originally passed by the Senate Commerce Committee, the American Payroll Association (APA) was encouraged by Senate Bill 84, *relative to payment of workers' compensation benefits by direct deposit and authorizing electronic payment of payroll*. The bill included very promising provisions governing the use of payroll debit cards for wage payments under RSA 275:43. APA is disappointed that those provisions were stripped from the bill in amendments made by the House Committee on Labor, Industrial and Rehabilitative Services. We strongly encourage the legislature to reintroduce these provisions in the near future.

RSA 275:43, II(b) would have provided employers the ability to make all wage payments electronically, either through direct deposit or to a payroll card account. The provisions also provided employees with the right to select any payment method offered by the employer.

APA generally favors electronic payments over the use of paper checks for a variety of reasons, including the timeliness of the payments; superior protection against fraud, theft, and loss; and reduced administrative overhead and tracking. In short, electronic payments are faster, safer, economical, and efficient.

The House Committee on Labor, Industrial and Rehabilitative Services must also appreciate the fact that electronic payments are faster than paper checks, as evidenced by the following entry in the April 13 House Record (Vol. 40, No. 15):

SB 84, (New Title) relative to payment of workers' compensation benefits by direct deposit and authorizing electronic payment of payroll. OUGHT TO PASS WITH AMENDMENT. Rep. Alfred Baldasaro for Labor, Industrial and Rehabilitative Services. The majority believes that doing an automatic direct deposit within a 6 week period of a covered worker's disability is a win-win for employees to receive their money in a timely manner. This helps the recipient of worker's compensation avoid receiving a pay card, where they pay a fee every time they use it, and avoid checks being mailed late. Vote 20-0.

Unfortunately, the entry also perpetuates the most common misconception about paycards: that employees must incur fees to access their wages from a paycard account. This simply is not accurate. Studies have shown that employees can, and many do, use payroll cards without ever incurring fees.<sup>1</sup> In New Hampshire, the rules regulating both wage payments and workers' compensation require

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<sup>1</sup> See, e.g., S. Wilshusen, R. Hunt, J. van Opstal, & R. Scheider, Fed. Reserve Bank of Philadelphia, *Consumer's Use of Prepaid Cards: A Transaction-Based Analysis* (August 2012).

that employees using paycards be provided methods to obtain all of their money, down to the penny, without incurring a fee.

In fact, paycards are among the most cost-effective options for employees. Employees may indeed incur fees when using paycards, just as they may incur fees to maintain an account in a financial institution (i.e., bank, credit union, etc.) or when cashing paper checks. But fees for paycards are often lower than the alternatives. In a 2014 report, the office of the New York Attorney General acknowledged that, “payroll cards can be a less costly wage payment option for employees” when compared to alternatives such as check cashing services.<sup>2</sup> The Federal Reserve has said that, for consumers without bank accounts, paycards are the most cost-effective transaction accounts available.<sup>3</sup>

When comparing the cost of receiving wages by payroll card, direct deposit, or paper check, the cost of cashing a check is, by far, the most costly. A 2012 study by the Massachusetts Division of Banks concluded that an unbanked employee earning \$30,000 a year who is paid with a paper check spends approximately \$650 annually in check cashing fees and fees to purchase money orders to pay their bills.<sup>4</sup> Other sources suggest that employees who rely on check cashing services may spend closer to \$1,000 each year on fees.<sup>5</sup>

According to a 2015 study by the Federal Deposit Insurance Corporation (FDIC), 7.0% of U.S. households are unbanked and another 19.9% are underbanked, meaning that they have a bank account but still rely on alternative financial services such as check cashing services.<sup>6</sup> Overall, New Hampshire has a higher than average rate of residents with bank accounts; yet, the FDIC says 18.2% of New Hampshire residents rely on alternative financial services.

These facts are overwhelming. Not only are electronic payments faster, safer, and more efficient than paper checks, they are also less expensive, both for businesses and employees. APA urges the New Hampshire legislature to support the use of payroll cards as a meaningful benefit to both employees and their employers.

Sincerely,



William Dunn, CPP  
Director of Government Relations

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<sup>2</sup> New York State Attorney General, *Pinched by Plastic: The Impact of Payroll Cards on Low Wage Earners* (June 2014).

<sup>3</sup> Federal Reserve Bank of Philadelphia: *The Cost Effectiveness of Stored-Value Products for Unbanked Consumers* (May 2005).

<sup>4</sup> Massachusetts Division of Banks, *2012 Report on Check Cashers and Basic Banking Fees*.

<sup>5</sup> See, Sloane and P. Hewitt, *Payroll Cards: 100% Electronic Payments 80% of the Time, Crossing the Market Finish Line* (Mercator Advisory Group January 2009).

<sup>6</sup> FDIC, *2015 National Survey of Unbanked and Underbanked Households* (October 20, 2016).

**About the American Payroll Association**

APA is a nonprofit professional association representing more than 20,000 payroll professionals and their companies in the United States. 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. APA has 108 members in New Hampshire and many more throughout the United States who pay employees in New Hampshire.