



# American Payroll Association

Government Relations • Washington, DC

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June 21, 2006

Ms. Patricia McDonald  
Commissioner  
Vermont Department of Labor  
5 Green Mountain Drive  
Montpelier, VT 05602-2708

Re: Payroll Debit Cards

Dear Commissioner McDonald:

We are writing to ask for your assistance in developing appropriate regulations that would give Vermont employees the option to elect to receive their wages via paycard, in addition to direct deposit or paper checks. According to the Federal Reserve Board, more than 2.2 million workers nationwide have chosen to receive their pay via paycard; more than doubling the number of paycards in circulation since 2003. Paycards offer substantial benefits to workers, including improved security and cost savings. These benefits are explained further below and in the attachment.

## **About the American Payroll Association**

The American Payroll Association is a nonprofit professional association representing over 22,000 companies and individuals in all 50 states and Canada. The APA's central mission is to educate its members and the entire payroll industry about the best practices associated with paying America's workers their wages while successfully complying with all federal, state, and local wage payment, employment tax withholding, and information reporting laws. The APA's secondary mission is to work with legislative and executive branches of all levels of government to find ways for employers to meet their requirements under law and support government objectives, while minimizing administrative burden for government, employers, and individual workers/taxpayers.

In reaction to the growing employer interest in the use of payroll debit cards in the United States, the APA's Government Affairs Task Force formed a Paycard Subcommittee to monitor the development and use of these cards within the employer community and to help educate policymakers and regulators about the benefits and uses of these cards before they issue regulations governing their use. This subcommittee is made up of 40 active and knowledgeable APA members representing large and mid-size employers, payroll service providers, and other third-party vendors specializing in the deployment of payroll debit card programs.

## **Serving the Unbanked Population**

The U.S. Federal Reserve Board estimates that about 13% of households do not have a bank account. Paycards eliminate check-cashing fees, which the Federal Reserve Board has reported may be as high as 20% of the amount of the check,<sup>1</sup> and the cost of money orders to pay utility and other bills. They also eliminate the need to carry large amounts of cash, which

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<sup>1</sup> See *Payment Cards and the Unbanked: Prospects and Challenges*, Federal Reserve Bank of Philadelphia, July 2005.

can be subject to loss or theft. Lost cards are easily replaced, with remaining funds transferred to a new card. Workers who are away from the workplace on payday also appreciate the immediate access to their pay, since there is no need to pick up a paycheck and make a trip to the bank.

Paycards have functionality similar to debit cards tied to bank accounts, enabling holders to make purchases on the Internet or from catalogues, make purchases and receive cash back at retailers, and to obtain cash at ATM machines. Many card programs permit cardholders to transfer funds credited to a paycard to a bank account, or withdraw the full amount on a card from a bank teller, or to write a “convenience check” for the full amount on the card. Paycards also help workers who do not presently have bank accounts to develop financial management skills and become comfortable with the banking system, leading to the establishment of other accounts, and improved long-term financial well being.

We believe that many Vermont workers would want the option to elect paycards, in addition to direct deposit or paper checks. APA members are familiar with the Vermont Labor Code’s provisions on payment of wages and medium of payment (Sections 342 and 343). These laws may be broad enough that the Department could, through its rulemaking authority, provide guidance allowing employers to offer payroll debit cards.<sup>2</sup>

We would like to work with you and your staff to consider any concerns that the department may have and determine the appropriate course of action. Would the Department agree that a rule change would enable appropriate voluntary paycard programs to be offered to Vermont workers? If so, we would ask the Department’s support in drafting appropriate regulations. Alternatively, if legislation was determined to be necessary, would the Department support such legislation?

Please let us know how you would like to proceed, or call me at (202) 857-1476 if you have any questions. Thank you.

Sincerely,

William Dunn, CPP  
Manager of Government Relations  
American Payroll Association

Cathy Beyda, Esq.  
Chair, Paycard Subcommittee  
APA Government Affairs Task Force

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<sup>2</sup> E.g., Section 342 (d): “*With the written authorization of an employee, an employer may pay wages due the employee by deposit through electronic funds transfer or other direct deposit systems...*”