



PAYSTATE UPDATE

The Latest State and Local Payroll Compliance News from the American Payroll Association

Volume 15 Issue # 17 September 2, 2013

Paycard Developments in Illinois on State and City Levels

In July, the *Illinois* Department of Labor (DOL) posted guidance regarding the use of paycards for wage payment. Pursuant to state law, the use of electronic paycards is a permissible method of wage payment provided that certain conditions are met [DOL, *Public Advisory to All Employers and Employees in Illinois Regarding Use of Electronic Payroll Debit/Credit Cards for the Payment of Wages*, at www.illinois.gov/idol/Laws-Rules/FLS/Pages/debit-credit-cards.aspx].

In response to recent concerns about the use of paycards, the city of Chicago has passed a resolution calling for a public hearing. A meeting is scheduled to take place on September 6 for Chicago employers and financial institutions [Chicago Office of the City Clerk, Resolution No. R2013-690, 7-24-13].

Conditions for paycard use in the state

Paycards are allowed in the state pursuant to the Illinois Wage Payment and Collection Act (see 820 ILCS §115/1 et seq.). The DOL advisory lists the following conditions that must be met for paycard use to be permissible:

1. The employee must voluntarily agree to use of a payroll card to receive wages or final pay. The employer cannot mandate the use of a payroll card. It is not considered voluntary if an employee is led to believe that hiring or continued employment is conditioned upon approval.
2. The employer must disclose in writing to the employee all fees, penalties, and costs associated with the use of the card.
3. The employee must be able to deposit and/or obtain the full monetary value on the payroll card without discount.
4. The employer is required to provide the employee with an itemized statement of all hours worked, rate of pay, and all deductions from wages for each pay period.
5. An employee can revoke his or her authorization for the use of the payroll card at any time and the employer is required to provide the employee with an alternative method for payment of wages or final compensation.

Chicago responds to paycard concerns

On July 24, the Chicago City Council's Committee on Finance passed a resolution that calls for a public hearing on paycard use. Chicago employers using payroll cards and financial institutions that issue payroll cards are encouraged to attend and testify before the Committee at the hearing on September 6 regarding the use of payroll cards.

The resolution notes that the hearing is partially in response to a lawsuit alleging excessive fees and violations of *Pennsylvania* wage payment laws by a McDonald's franchise (see PAYSTATE UPDATE, Issue No. 13, Vol. 15), and an investigation into payroll card use at certain companies by the *New York* State Attorney General (see PAYSTATE UPDATE, Issue No. 15, Vol. 15). The Paycard Subcommittee of the



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American Payroll Association's Government Affairs Task Force plans to submit written testimony detailing the many benefits of paycard use to both employers *and* employees.