



# PAYSTATE UPDATE

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

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## **New Illinois Paycard Requirements Coming in 2015**

On August 6, *Illinois* Governor Pat Quinn signed legislation establishing conditions for payroll card (paycard) use in the state, effective January 1, 2015 [H.B. 5622, L. 2014; see PAYSTATE UPDATE, Issue No. 14, Vol. 16]. Currently, paycard use is permitted pursuant to guidance issued by the Illinois Department of Labor (see PAYSTATE UPDATE, Issue No. 17, Vol. 15).

### **Employer requirements for paycard use**

Employers will not be permitted to require employees to receive their wages via paycard as a condition of employment or for receiving any benefits for money. An employer cannot pay an employee via paycard unless the following conditions are met:

- (1) The employer provides the employee with written notice that notifies the employee that payment by paycard is voluntary, lists the other methods of payment offered, and explains the terms and conditions of the paycard option including: (a) an itemized list of all fees that may be deducted from the paycard account by the employer or card issuer; (b) a notice that third parties may assess transaction fees in addition to the fees assessed by the card issuer; and (c) an explanation of how the employee may obtain, at no cost, his or her net wages, check the account balance, and request to receive paper or electronic transaction histories.
- (2) The employer also offers another method or methods of payment (e.g., direct deposit or paper check). If an employee who is paid via paycard requests a different method of payment, the employer must honor the request within two pay periods. Note that payment via direct deposit must also be voluntary.
- (3) The employer obtains the employee's voluntary written or electronic consent.

### **Paycard program requirements**

A paycard program must provide employees with certain services and features, including at least one method of withdrawing the employee's full net wages from the card once per pay period, but not less than twice per month, at no cost to the employee and at a location readily available to the employee. At the employee's request, the paycard issuer must provide one transaction history each month that includes all deposits, withdrawals, deductions, or charges at no cost to the employee (the employee can request a paper or electronic copy). The employee must also have unlimited phone access to obtain the paycard balance at any time without incurring a fee.

**Fees.** An employer is prohibited from using a paycard program that charges fees for point-of-sale transactions; the application, initiation, or loading of wages by the employer; and/or participation in the program itself. Fees for account inactivity may be assessed following one year of inactivity. The program must offer the employee a declined transaction, at no cost to the employee, twice per month. For subsequent declined transactions, commercially reasonable fees are permitted.



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***Credit not permitted.*** The paycard cannot be linked to any form of credit including, but not limited to, overdraft fees or service fees, a loan against future pay, or a cash advance on future pay or work not performed.

## **Employer-employee relationship**

The employer's obligations under the law will stop 60 days after the employer-employee relationship has ended and the employee has been paid his or her final wages. Within 30 days after termination of the employment relationship, the employer must notify the employee that the terms and conditions of the paycard account may change if the employee chooses to continue using the card.