



American Payroll Association

Government Relations • Washington, DC

January 19, 2017

STATEMENT IN OPPOSITION TO HOUSE BILL 1445

The American Payroll Association¹ (APA) appreciates the opportunity to submit the following statement in opposition to House Bill 1445 (HB 1445), “A bill to amend and reenact § 40.1-29 of the Code of Virginia, relating to the payment of wages by credit to a prepaid debit card or card account.”

Current Virginia Law and HB 1445

Section 40.1-29 of the Code of Virginia has allowed employers to compensate employees using beneficial electronic payment methods for many years. In fact, Virginia became the first state to expressly authorize the use of payroll cards in its wage payment statutes in 2004. Like approximately half of the states, Virginia now allows employers to offer their employees the choice between direct deposit and a payroll card without also offering a paper paycheck option. This was the result of a 2009 amendment allowing, *but not requiring*, employers to pay their employees via a prepaid debit card account if the employees fail to designate an account for traditional direct deposit. Importantly, this arrangement is only permitted if the employee is able to use the card to withdraw or transfer up to the full balance in the account for free. As a result of the 2009 amendment, many employers (including many APA members) have implemented beneficial electronic wage payment programs in Virginia.

HB 1445 would require employers to reintroduce inefficient and costly paper paychecks into their payroll systems and limit the ability of employers to implement beneficial electronic wage payment programs in Virginia.

Electronic Wage Payment Benefits Employees and Employers Alike

Electronic payment methods are safer, more secure, and less expensive than paper paychecks. A 2015 study by the Federal Deposit Insurance Corporation found that 4.6% of Virginia households are unbanked (having no bank account) and another 19.7% of Virginia households are underbanked (having a checking or savings account, but still reliant on alternative financial services such as check cashing services).² These employees often rely on expensive check cashing services

¹APA is a nonprofit professional association representing more than 20,000 payroll professionals 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. In addition, APA's Government Relations 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.

²2015 FDIC National Survey of Unbanked and Underbanked Households, available at <https://www.economicinclusion.gov/surveys/place-data.html?where=Virginia&when=2015>.

to access their wages. Studies have shown that low wage earners can spend hundreds of dollars a year on checking services alone.³ They then incur additional expenses purchasing money orders to pay their bills. In addition, the Office of the Comptroller of the Currency reports that more than four million paychecks are lost or stolen each year.⁴

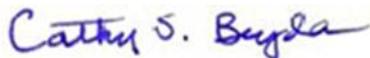
In contrast, direct deposit and payroll cards guarantee employees a means of accessing their net wages on payday. The vast majority of payroll cards are branded, meaning that they bear a Visa or MasterCard logo. These cards can be used anywhere that the payment branded is accepted. Indeed, ***employees can use their payroll cards to withdraw their full net wages at the teller of any financial institution that is a member of the payment brand (tens of thousands of locations nationwide) at least once each pay period at no cost.***

Direct deposit and payroll cards also allow employees to deliver wages to employees in a timely manner, even when the employee is away from the workplace and when faced with unexpected contingencies such as severe weather and natural disasters. Many APA members first implemented electronic wage payment programs after severe weather conditions rendered it impossible to deliver paychecks to employees at a time when employees needed access to their funds the most. In light of these and other benefits, it is not surprising that the State of Virginia has used purely electronic means to pay many of its own employees since 2008.⁵

Conclusion

The APA opposes HB 1445 because it would strip employers of the ability to offer beneficial electronic wage payment programs in Virginia. Requiring employers to reintroduce the systems necessary to process, distribute, and deliver paper paychecks would be costly, both initially and on an ongoing basis, and would be harmful to employers as well as their employees.

We would welcome the opportunity to discuss the above issues with you further. In this regard, please feel free to contact Bill Dunn (202-232-6889) or Cathy Beyda (650-320-1824).



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³The San Francisco Office of Financial Empowerment estimates that unbanked workers spend an average of \$711 a year on check cashing fees. See, <http://currenscf.org/>; See also, T. Sloane and P. Hewitt, *Payroll Cards: 100% Electronic Payments 80% of the Time, Crossing the Market Finish Line* (Mercator Advisory Group January 2009) (finding that employees who rely on check cashing services can spend over \$1,000 each year on fees); Metropolitan Policy Program at Brookings, *Banking on Wealth: America's New Retain Banking Infrastructure and Its Wealth-Building Potential* (January 2008) (A low wage earner can spend as much as \$40,000 over his or her life time in check cashing fees).

⁴ Office of the Comptroller of the Currency, *Payroll Cards: An Innovative Product for Reaching the Unbanked and Underbanked* (June 2005).

⁵ See, Commonwealth Accounting Policies and Procedures Manual, Payroll Accounting - Direct Deposit, http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics/50445.pdf.