Payroll cards, or paycards, are reusable debit cards that have become a popular electronic solution for workers. Every payday, the paycard is automatically loaded with employees’ net pay. From that point on, employees can use the card just like a debit card. They can shop, withdraw cash, pay bills, buy groceries, and more, up to the value loaded on the card.

For several years now, regulations regarding paycards have done nothing but change. Employers continue to try to separate the facts from fiction. But the constant changing of laws has created much uncertainty for employers and payroll professionals regarding implementing paycard programs. Several misconceptions tend to perpetuate themselves quite frequently regarding paycards. Now may be a good time to clear up some confusion and revisit these false statements.

Paycards Only Benefit Employers

While it is true that employers do reap some benefits by implementing a paycard program, the employee reaps just as many benefits. A few of those benefits include:

- Available payment method for all employees, including the unbanked. A personal bank account isn’t required.
- No need to cash or deposit payroll checks and wait in long lines on payday. Pay is automatically deposited onto the paycard on payday.
- No check-cashing fees (other fees may apply).

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Employees Pay Large Fees to Use Paycards

Employers should always review cardholder agreements, disclosures, and fee schedules before implementing a paycard program. Notably, the fees associated with paycards tend to be smaller than what employees would pay to a check-cashing service. Some paycard issuers have specifically designed their paycards to be inexpensive for the employee. A lot of their efforts stem from federal and state regulations put in place to ensure compliance with existing federal and state laws. Each paycard program is different. Generally, paycards can be used just about anywhere. The cardholder agreement may contain a few restrictions on purchases, and the employee should be made aware of these and have access to them. A few restrictions may be placed on gas, online, or international purchases. Review the cardholder agreement for details.

In conclusion, as paycard enrollments continue to swell, expect more regulations. Do your homework, and continue to research and review legislation so that you will be able to distinguish the facts from fiction. Follow best practices to ensure compliance with existing federal and state laws:

1. Carefully review your paycard program with your legal counsel
2. Make paycard programs voluntary
3. Have employees opt into the program as opposed to having them opt out
4. Make sure that fees, if there are any, are fully disclosed and accessible to employees

Remember that paycards should help bridge the gap for those without a bank account, not create additional burdens on the employee or the employer.

The American Payroll Association (APA), www.americanpayroll.org, is the nation’s leader in payroll education, publications, and training. This nonprofit association conducts more than 360 payroll training conferences and seminars across the country each year and publishes a complete library of resource texts and newsletters. Representing more than 23,000 members, APA is the industry’s highly respected and collective voice in Washington, D.C. Get more information at www.americanpayroll.org.