APA Supports Texas Payroll Card Bill

Payroll cards are approved for use in every state, though they are not always expressly recognized in states’ wage payment laws. Texas is considering codifying rules regarding their use, and APA submitted written testimony expressing its support for a measure before the House Committee on International Relations & Economic Development, H.B. 2240 [https://www.americanpayroll.org/docs/default-source/government-relations/19c19-apas-comments-TX_HB_2240.pdf]. The state Senate is considering its companion bill, S.B. 1485.

In Texas, payroll cards are available to employees who actively select that wage payment method. It is, effectively, an opt-in arrangement. One major provision of H.B. 2240 and S.B. 1485 would permit employers to make electronic payments the default payment method. Employees would be able to opt out, and even choose to receive their pay by check, but advocates for the bill expect that enrollment in both direct deposit and payroll cards would increase. APA claimed that the bill “would bring the Texas Labor Code into the 21st century with respect to wage payment.”

Hurricane Harvey created support for the bill

The devastation caused by Hurricane Harvey in 2017 is one of the driving forces behind support for the bill, as was explained by Buddy Gatlin, a general manager for The Home Depot’s (THD) distribution center in Baytown, Texas, who testified in support of the bill. The storm, which hit the Texas and Louisiana Gulf Coast, affected an estimated 13 million people and flooded or destroyed 135,000 homes.

During and after a disaster such as Hurricane Harvey, employers often have trouble locating employees who have been displaced. The effort to deliver employees’ pay is made considerably more difficult when employees are paid by check rather than through direct deposit or payroll card.

Some of THD’s employees were displaced, some were unable to go to work because they “were busy cleaning up their flooded homes,” and others were unable to work because their stores flooded, Gatlin said. “But due to stores being closed or associates being out of their homes, they suffered delays in getting the pay they deserved,” Gatlin said.

Benefits to employers and employees

Payroll cards allow employees without bank accounts and those with limited access to traditional financial services to enjoy the convenience and security that their coworkers experience with direct deposit. “Without payroll cards, these workers often rely on expensive check cashing services to access their wages, and then incur additional expenses when purchasing money orders to pay their bills,” APA said. Many payroll card programs provide features that consumers expect from mainstream financial service providers, including online bill pay, savings functions, and mobile check cashing.

Paying employees electronically also benefits employers. Payroll cards allow employers to deliver wages in a timely manner to all employees, including those who do
not participate in direct deposit. This is true even when employees are away from the workplace and during periods of severe weather and natural disasters when mail and in-person delivery can be impeded, delayed, or impossible, APA said.