

APA Supports New Jersey Paycard Bill

New Jersey is the latest state to introduce legislation that would codify employers' authority to use payroll cards to deliver wages to employees. A.B. 4047 "would legislatively enshrine existing administrative regulations recognizing that payroll cards are a permissible method of wage payment in New Jersey while ensuring that a number of consumer protections are in place," according to APA's Government Relations Task Force Subcommittee on Payroll Cards. In May, APA [asked the legislature](#) to consider expanding the scope of the bill to allow employers to avoid issuing paper checks, if they chose, and deliver 100% of their wage payments electronically.

Bill allows alternate methods of wage payment

The New Jersey bill contains consumer protections similar to laws in many states, including advance written notice of the card's features. Employers would be responsible for notifying employees on how the card could be used, such as for point-of-sale purchases or withdrawal at automated teller machines. Employers would also be required to notify employees of any fees that might be charged for the use of those features. Under the bill, employees would be guaranteed the right to withdraw all their earnings without incurring a fee at least once per pay period.

In addition, the bill would require that employees voluntarily consent to having their wages deposited to a payroll card and would allow employees to stop receiving their pay by card at any time in favor of any other legal payment method. This provision is not uncommon among state laws, but fewer than half of all states require employers to offer employees the option of a paper paycheck.

APA believes the crisis caused by the novel coronavirus (COVID-19) makes this provision worthy of review. "As the COVID-19 pandemic has thrown into sharp relief, electronic payment is vital for delivering wages quickly and safely," APA said.

Since March, the U.S. economy has undergone dramatic changes. Teleworking became commonplace while states enforced stay-at-home rules. In a state such as New Jersey, payroll personnel must draft physical paper checks and send them via mail, resulting in otherwise unnecessary interpersonal physical contact and a slower delivery. "Amending A.B. 4047 to allow employers to mandate electronic receipt of wages through the employee's choice of direct deposit or payroll card is the right decision for employers and employees," APA said.

Payroll cards provide a wide array of benefits

Payroll cards bring the benefits of direct deposit to employees without bank accounts and to employees with limited access to traditional financial services, APA said. These benefits include increased security and convenience as well as prompt access to full wages regardless of employee location, especially during severe weather conditions and natural disasters.

Many paycard providers offer program features that consumers have come to expect only from mainstream financial service providers – including online bill pay, savings functions, and mobile cash depositing.

Since 2007, employees with payroll cards have had the same unauthorized transaction and error resolution rights as consumers with traditional bank accounts. In April 2019, consumer protections were strengthened even more when the Consumer Financial Protection Bureau’s Prepaid Accounts Rule went into effect. Payroll card issuers now must comply with prescriptive pre- and post-acquisition disclosure requirements aimed at providing increased transparency to consumers.

The ability to pay employees via payroll card benefits employers as well. Payroll cards allow employers to deliver wages in a timely manner to all employees, including those who do not participate in direct deposit. Payroll cards also allow employers to enjoy administrative efficiencies and, in many instances, cost savings.

Allow employers to achieve full electronic wage payment

APA encouraged the New Jersey General Assembly to amend A.B. 4047 to allow employers to mandate electronic receipt of wages and to offer employees the choice of direct deposit to a bank account or to a payroll card. “In our proposed amendment, an employee could designate any bank account for the receipt of his or her wages. However, if an employee does not have a bank account or fails to designate a bank account for the receipt of wages, an employer may pay the employee via payroll card,” APA said.