

Speaker 1:

Welcome to Pay Talk, the podcast for payroll professionals with your host, Nina Talley. In the podcast, we explore the human side of payroll by speaking with global industry leaders who provide their unique insights to help listeners better understand the issues important to them and their careers.

Nina Talley:

Hey folks, welcome to Pay Talk, the podcast that brings you payroll's human side. I'm your host, Nina Talley.

Nina Talley:

This episode is the second half of our two part series, The Era of Payments as Policy, with our guests Bill Sullivan, senior director and group manager of government and industry relations for Nacha. And Bill Dunn, CPP, former director of government relations for the American Payroll Association. If you haven't listened to The Era of Payments as Policy: Part One, make sure you go back to it as it provides context for this episode. Now, without any further ado, we present The Era of Payments as Policy: Part Two.

Nina Talley:

Bill Dunn, I would love to hear from you on how those garnishments and that garnishment legislation impacted, from an actual payroll professional perspective.

Bill Dunn:

Well, from a payroll perspective, there wasn't a large impact because none of this went through payroll. But, it's interesting to hear all that information about garnishments. Those payments were exempt from certain, but they were definitely not exempt from child support. That seemed to be a mistake, as Bill Sullivan mentioned, that a lot of the child support that was withheld from those payments ended up not going to the custodial parents, it went to pay off government debt. That's the kind of unintended consequence that I mentioned at the top of podcast. If we see another round of this, that is likely not to be included.

Nina Talley:

Well, it's good that we're aware of it now, and that that was something that was unintended and should have happened.

Nina Talley:

So one thing I definitely wanted to touch on is the use of prepaid cards. We've talked a lot about paper checks, and we've talked a lot about digital payments, but I know that those prepaid debit cards were also issued. I would love to hear from Bill Sullivan as to why, and how that's shaping the industry?

Bill Sullivan:

Nina, it's a good question. And you're absolutely right when you say that it was a last minute thing, and it's definitely garnered a lot of media attention.

Bill Sullivan:

Early on, Bill Dunn said that four million prepaid cards were sent out. And the purpose of sending those cards out was, again, trying to eliminate how many checks had to be cut. It's one of those deals, in

theory it was a great idea. This time out of the gate, because it was a hustle mistake, there were some mistakes made. And by hustle mistake I'm saying everybody was trying so hard to get the money in the hands of the people that needed it, they probably didn't noodle through the process. But again, the theory is great. Even though this isn't really a direct deposit or ACH thing, Nacha completely believes that there is a role for prepaid cards, and that prepaid cards are a great way to get funds out to citizens if you don't have the bank information.

Bill Sullivan:

That's what happened with these, were they knew that they owed payments to folks, but for whatever reason the citizens had not gone through the IRS portals that Bill Dunn mentioned earlier, and changed their account information over to receive a direct deposit. So the thought was, let's send out a prepaid card that will have the full amount of the money on the card. Again, great in theory.

Bill Sullivan:

A couple of the things that tripped up the government a little bit on this is they had them in blank envelopes. Again, to protect them, so there wouldn't be people stealing your mail or taking your card. Even though they looked very, very official, a lot of people have been conditioned to if you get something you're not expecting in the mail, just like a phone call saying that you owe the government money or things like that, don't believe it. So there were a fair number of these that were being thrown away, because folks were like, "I don't understand. I don't know who this company is, I don't know why they claim they're sending me money. I'm not going to call some 800 number to activate it, because they may get sensitive information from me."

Bill Sullivan:

I think that, if there's another phase of stimulus payments, I think prepaid cards are a fantastic way to pay folks out. But, perhaps they need to be sent from IRS, or United States Government envelopes, and probably there needs to be a little bit more of a public awareness campaign about these cards, and how these cards work.

Bill Sullivan:

And then, even on a personal note, my in-laws received one. Luckily my wife had warned them, "Hey, if you get any card in the mail, call Bill before you do anything with it." They had received one, but because they didn't understand, they're a little bit older, they thought they had to spend it like you would spend a prepaid card you'd buy at the grocery store, so on groceries, or on gasoline, or on online shopping or whatever. It wasn't real clear to them that you could actually transfer those funds, using the ACH Network I might add, directly to your bank account.

Bill Sullivan:

I think that just a little bit more in this public awareness campaign, we need to make sure that people understand this is just in place of a check. Anything you can do with a check, you can do with this card. You can take this card into your bank lobby, if it is open, and deposit it into your account. So you don't have to keep the card or use the card, the card was just the conduit to make sure you've got your funds as efficiently and quickly as possible.

Nina Talley:

See, this is why I love having these conversations. I did not know that. I 100% thought that it was a general prepaid, you had to use the card. This is the first time that I am hearing that you can transfer those funds through your bank. Thank you so much for sharing that, and for breaking that down for me.

Nina Talley:

Bill Dunn, have you seen a ... How has the reception been for these types of cards? And then, how do you think they could potentially incorporate into future payroll practices, maybe when we return to our new state or normal?

Bill Dunn:

Well, payroll cards in the payroll space have been around for, I guess, about 15 years now. They're pretty well established, the people who receive them tend to be very happy with them. Overwhelmingly, the most popular way of being paid is by direct deposit, but employers would prefer to pay electronically. There are so many inefficiencies related to paper checks, so electronic payment is so much better, including all the issues about fraud that Bill Sullivan mentioned.

Bill Dunn:

You know, for the second round of the stimulus payments, hopefully more people will sign up for electronic payments, for direct deposit. There are plenty of reasons that the IRS might not have had their account information, for example of people who are owing money to the IRS they might not provide the information to them because their waiting to last minute to cut that check. Or also, if they're using tax preparer then the money gets transferred from the tax preparer to the IRS, so again, the IRS doesn't have that. So having the IRS send out a debit card in the first round, it's questionable how much money they saved there. Although certainly, from a time perspective, being able to team up with Money Network to kick out four million payments, that sounds really good.

Bill Dunn:

In the next round, one of the possibilities that I've heard, and I'm not saying this is how it will happen, but one idea being floated is that there would be multiple payments. In that case, a debit card becomes very attractive as a sender, for people who are not providing that account information. You look at the IRS numbers for the first round, they sent out about 40 million checks and cards. Well, say you had three stimulus payments going out, that would be 120 million payments. Where instead, you could send out just 40 million cards, and then make multiple deposits to the same card. So, it looks like that would be much more attractive.

Bill Dunn:

There's a certain segment of the population that does not have a bank account, so direct deposit is not possible. Just like there's that population of employees who don't have bank accounts, so there's no opportunity to create direct deposit, unless you use something like a debit card. So to come back to your question, how are debit cards used for payroll, they are a terrific substitute for a traditional bank account. Especially nowadays, the cards seem to have a lot of features that we associate with traditional bank accounts. You know, Bill mentioned remote deposit capture, where you snap a picture of the check and deposit it into your bank account. Well, you can do that with a lot of card accounts now, as well. You can do bill pay. Cards have really come a long way since they started, over a decade ago, and they're really multi-functional now.

Bill Sullivan:

Nina and Bill, can I jump in and just add one thing to Bill's points? And, Bill's points were fantastic. I should probably write them all down and use them as my talking points the next time I do one of these.

Nina Talley:

Yeah, please do!

Bill Sullivan:

One of the interesting things, and just a little story that I kept scratching my head on. When these payments were being rolled out, and we began to get a better understanding of how the IRS was going to get their information, again the majority of it being from money that they've either sent out to beneficiaries or benefit recipients, to people that get tax refunds. But, they were also working with a couple other entities, the Railroad Retirement Board, and social security and others, to get as much ... what they call the DDA, but basically account information to send direct deposits out.

Bill Sullivan:

I kept saying, "Well, why in the world aren't you using the accounts from people that owe the government taxes, and use the ACH network, and don't mail a check to the government? Why aren't you using that account information, because you could pretty much just reverse the process." If you know whose paying you by ACH, you could take that ACH information and send them a stimulus payment.

Bill Sullivan:

One of the things that finally came out, one of the most senior people at Treasury said, "Hey Bill, we didn't do a good job explaining that. The reason IRS chose not to do that is there is a disproportionately high number of people that actually don't pay their own taxes." Say, if it's a younger couple, their parents may pay their taxes. If it's somebody whose in their senior year of life, their children may pay their taxes. So they said, "We don't feel comfortable with it, and because so many people are receiving stimulus payments they may not know if we sent it to an account information that was really meant for mom and dad, or that was really meant for your kids." That's why they didn't use the "DDA," or the account information for folks that pay the IRS. They only use it for folks that were receiving payment because the strong majority of the time, people will use their own account information if they want many back from the government.

Nina Talley:

That's a really interesting point, and I hadn't thought about it that way. But, that is right, there's a lot of people who don't pay their taxes themselves, it goes through a third party or a family member. It's a very interesting point.

Nina Talley:

Thinking about it, where do we see the status of the next legislative action for these economic payments, these stimulus payments? Where does the current status sit? I know that we've talked a lot about the potential for the next one, and things that are in place to help with that. But, I would love to know a little bit more firmly, where that sits?

Bill Sullivan:

Yes, absolutely. I think all of us would. But, what I'm going to do is I'm going to attempt to answer the question, really combining all the conversations I've had with either members of the Senate or House, or most often, their senior staffers on what the status of the legislation is. So instead of calling them out by name, I'm going to just meld what I've been told.

Bill Sullivan:

Right now, we're looking at the likelihood for another round of stimulus payments. And, there's a strong likelihood that unlike baseball right now, that's negotiating through the press, that the White House, Treasury, and leadership, particularly in the Senate, but leadership in the House as well, are already beginning to discuss what a package may look like. I think it's fantastic that they're doing this very quietly. It keeps personal interest out of it, it keeps the noise around what facts may be leaked or not leaked on how these payments we made and the timing of those payments.

Bill Sullivan:

I think a couple of things, though, that threw a wrench into it was last Friday, there was a fairly favorable jobs report that was released by the government, and now there are some, particularly more conservative members of the Senate and Republican Party, that are saying, "Hey, let's hit the brakes a little bit on this. We're not saying no, we're not going to do this. But, why don't we just see how the next week, or two, or three play out, and see how the economy rebounds? Because the stock market has seen a very nice rebound over the last couple weeks, the jobs report was very favorable." So I think the Senate, in particular, would like to be a little bit more deliberate on it.

Bill Sullivan:

Now, to back up for a few minutes, the Senate's controlled by the Republican Party, and the House is controlled by the Democratic Party. The House has already passed a bill called the Heroes Bill, and it's quite lengthy and it does include a lot of different types of benefit payments, and payments to be made. It uses the same formulas as the CARES Act, but it also includes a little bit more money for folks that have children, even if they claim the children as dependents. Now, honestly, there's no chance that the Heroes Bill that passed the House will be just accepted with open arms and pass the Senate. So that really is just the starting point, or a negotiation point. It might even have been a little bit of political politics, so if this thing goes south the Democrats of the House can say, "We passed a bill immediately. We came back into chamber, we negotiated, we passed a bill and it died in the Senate." It may just be a finger pointing exercise.

Bill Sullivan:

I think they'll be more legislation because even with a favorable jobs report, 40% of this country right now that makes under \$40,000 a year or less is unemployed. Those are the folks that need this money, and they need this money sooner than later. If I had a crystal ball, I would say expect something probably early to mid summer, and have another round of payments that will be very similar to these payments, that have almost now completely gone out, they've got the majority of them out. The House is reporting there are about 30,000 payments that still need to be made. What I'm hearing from the IRS and Treasury is that the number's probably closer to 20 or 25 million. But still, the majority of the payments have been made, they're continuing to be made.

Bill Sullivan:

I think we will see another round at some point, and those payments, in theory, should be able to go out even quicker because of pay cards, and all the benefits that Bill talked about with pay cards, because they're gathering so much more information from people. Because now they see the importance of why you go to the IRS portals and you provide your ACH information, which is just your routing number and account number, so you can get paid quicker. And I believe, the last I heard, Treasury said that just shy of 20 million people had gone to their portal and had switched their payment preference to ACH. So even more ACH payments will go out the next time, hopefully they'll be coded better, they'll be without garnishments. And, the number of checks will drop because anybody whose not being paid from direct deposit, hopefully the majority of those will receive a pay card that their either expecting to receive. Or, that it is very clear when they open their mail this in fact is a pay card, and this is what you can do with it.

Nina Talley:

The American Payroll Association's 2020 edition of the Guide to Successful Electronic Payments provides payroll professionals information they need to successfully implement or improve the electronic pay process at their companies.

Nina Talley:

As you were hearing during this podcast, the nature of electronic payments is changing rapidly, but the APA's Guide to Successful Electronic Payments has been updated with the latest information on international payments, on demand pay, the upcoming addition of new same day ACH processing window later in the day. And, the guide also provides all you need to know about direct deposit, third party payments, and pay cards. What's the price for this valuable resource? It's free for APA members, thanks to the sponsorship of rapid! PayCard. APA members receive the 2020 ebook publication as part of their membership benefits.

Nina Talley:

If you're not already an APA member, go to the APA's website at www.americanpayroll.org to join. To get your copy of the Guide to Successful Electronic Payments, be sure to choose the membership tab, and click on free eBooks from the pull down menu of the American Payroll Association's website. Don't get left behind in understanding electronic payments.

Nina Talley:

Definitely, the first run is always the roughest. It seems like the industry, and the legislators, and the lobbyists have all taken the lessons learned from the first payment, and are applying it to the second, just so things run a little bit smoother. I think that's a natural way for things to work themselves out. Hopefully, the country won't need another round of economic stimulus payments, but it's good to know that if we do, the thoughts are being compiled, the acts are being put together, and that there are people who are out there, looking out for the 40% of Americans who make under \$40,000 a year who are still unemployed.

Bill Sullivan:

Absolutely. I'll just add, too, on top of all this which makes the mystery on whether this is ever going to happen or not is its election year politics.

Nina Talley:

Everything's different.

Bill Sullivan:

The entire House of Representatives is up for reelection, a third of the Senate is up for reelection, and there's a presidential election this November. I'm sure both sides of the aisle are looking at how does this benefit our party? Does it benefit our party to have a hard line saying, "No, we're not going to take any more out of the United States' budget and help people. Everything is on the rebound because of what we've done." Or, is it going to be, "No, we need to help all our citizenry, so therefore this legislation is critical." It's not yet seen how that's going to play.

Bill Sullivan:

But, the one thing I'll point out is, remember I said that the Senate is controlled by the Republican Party, it just is a total coincidence, with a third of the Senators up for reelection, the majority of those Senators are Senators that are Republican. Some of them are from states that, right now, are looking like tossup states. So they might need to do something where maybe they may not be inclined to normally support that to help those Senators, so the Senate Republicans continue to have the majority of the Senate, and they don't cede the majority of the Democrats come November. So, we'll see how election politics plays into all this.

Nina Talley:

That's a really interesting point, and definitely we'll have undue influence on this legislation, and future legislation on this matter. Thank you so much for bringing that up.

Nina Talley:

So now is the time, in our podcast, for something we like to call Payroll Nightmares. In the future, our listeners are encouraged to send us their payroll nightmares to podcasts@americanpayroll.org. Or, leave us a comment on the APA Facebook page. But, for this episode, we have asked Bill Dunn to share a nightmare, a payroll nightmare, that he has experienced, and how it should have been handled differently. So Bill Dunn, take it away.

Bill Dunn:

Okay. Well happily, I did not experience this personally. But, the nightmare that members have shared with me concerns not being able to locate employees in the event of a natural disaster.

Bill Dunn:

I joined the APA staff in 2006, and that was just a couple months after Hurricane Katrina hit. You remember, the levees failed and sections of New Orleans flooded, and those people had to evacuate. There were plenty of people in New Orleans that left the state completely. From the employers' perspective, some of these employees were just missing. If they were being paid by check, then the employer had no way to deliver their pay at a time that they might have desperately needed it. This was also a big deal with social services. At the time, most child support payments were issued by check. Katrina literally changed that. Now, electronic payments are the standard for social services, like child support and unemployment.

Bill Dunn:

To the second part of your question, how could it have been handled differently. As Santayana said, "Those who cannot remember the past are condemned to repeat it." So Katrina hit the Gulf Coast in 2005, and seven years later, in 2012, Hurricane Sandy hit the East Coast. New York, New Jersey, and Connecticut got hit really hard. Again, people were displaced. Fast forward another five years, and Hurricane Harvey hits Texas and Louisiana. It's catastrophic flooding, and people were displaced.

Bill Dunn:

In Texas, the memory of Hurricane Harvey actually helped pass legislation allowing employers to default employees to electronic payment. Given that each year, there are scores of natural disasters that will interrupt businesses in the United States, and that's wildfires, snowstorms, mudslides, flooding, the list goes on. Of course, well this year we're facing a pandemic. It's not a question of if your business will be interrupted, it's a question of when. Employers should absolutely look at wage delivery as a business continuity concern.

Nina Talley:

Would you say that the best way to keep that in mind, other than looking to the past, is to try and influence the people that you're paying, as much as you can, to go electronic?

Bill Dunn:

Yeah, that's a great way. In about half the states ... Well now, in fewer than half the states, employees still have a right to a paper check. It's written into the state law, about how employers are allowed to pay their employees. So, in over half the states, the employer can make the payments electronically, either direct deposit to a bank account or put them on payroll debit cards.

Nina Talley:

Okay. Well, that is a really good way to circumvent that. I think that, again, your main point here with this nightmare is just learn from the mistakes of the past, stop repeating it. I think that's a really beautiful and succinct way of wrapping it into what we've been talking about today.

Nina Talley:

The stimulus payments, and all of it, it was such a rush to get it all done, but truly, as I've discussed in a couple of the other episodes, is that with this pandemic it was just a matter of time. It's always just a matter of time for a large payroll disruption of this type, and a large type of stimulus payment of this type. I think that all we can do is learn, and try and be better for the people who depend on us.

Nina Talley:

Again, I am so happy that we have people like the two of you, who can help influence. You may not be sitting down writing the legislation, but you are connecting the people that need to be connected, so that they can understand these are not numbers on a piece of paper, these are human beings whose lives are being drastically affected by this and we need to help them. So thank you so much for your effort and work to get money into the hands of people who really need it, it's really appreciated.

Nina Talley:

For any future payroll nightmares that any of our listeners may want to send us, please, please send it in. We'd love to hear your payroll nightmares, you can always anonymize them. Just send us an email at podcasts@americanpayroll.org. Or, leave us a comment on the APA's Facebook page.

Nina Talley:

Now, Payroll Nightmares can be a little bit of a downer, and we don't like to leave things on a negative note here at Pay Talk. So, I have one more question for the both of you. What is the best piece of payroll advice you've ever been given? Or, what's the piece of advice that you wish that you had been given? We'll go ahead and start with you, Bill Sullivan.

Bill Sullivan:

Thanks, Nina. If I could, I'll do it quickly I promise, I'd like to do two because I couldn't decide which one was more important.

Bill Sullivan:

The first is there's a big push in this country right now to move payments faster, and everything is about speed. Nacha, over the last couple years, has passed a set of rules and has implemented a set of rules now, to allow for same day ACH payments. Those same day ACH payments can be critical in the payroll industry, whether it's for termination pay, or whether it's for employee reimbursement, any type of pay, on demand pay. There's several windows in which somebody can generate a same day ACH and the employee, or whomever, the end user, will get paid on the same day. I think that same day ACH is a great place to start.

Bill Sullivan:

And then, I wouldn't be me if I wasn't promoting ACH and direct deposit. The second piece of advice would be to talk to your employees, to talk to your loved ones, friends, and family, about the importance to split your deposit. You can split those direct deposits, those payroll direct deposits, into multiple accounts. Think about now, think about how many Americans are suffering, or really struggling with their bills because either they've been furloughed, or they've taken a pay cut and things, and a lot of them probably weren't ever splitting their deposit. It's done automatically, you don't even have to think about it. A lot of times you don't give it any thought, so it's there and you don't really miss it because it's just part of your weekly, or biweekly, or bimonthly pay. I think that split deposit is something that we should all be promoting more with our employees, and the community.

Bill Sullivan:

I know the consumer groups have been great advocates of splitting deposit, with all the studies out there that talk about 40% of Americans, this was before the pandemic, could not handle a \$400 routine household emergency. So by splitting that deposit, whether it's just a couple dollars, whether it's more than a couple dollars, will help you grow that savings account. So when something arises that you really need money for, you've got the money to pay for it, and you're not having to go to a street corner lender, or payday lender, or pawn shop, or some other place, trying to seek funds that you might desperately need.

Nina Talley:

That's a really good point. I think it's something that doesn't really get talked a lot in the payroll discussion, because it's seen as the individual's choice. But, a lot of people just aren't educated on what

that can do for them, and how powerful that can be. I know that lots of banks have fun little things, like they'll take \$10 a week out of your checking account and putting it into your savings account, and just little things like that. But, if you start with your main payment and just carve off a little slice that you never see, it's not even yours, it could maybe help you weather the storm a little bit.

Nina Talley:

Bill Dunn, do you have any advice that you wish somebody had given you? Or, the best piece of advice that you've ever received?

Bill Dunn:

Yeah. You know, the tip on split deposit it's so important, it's hard to top that one especially as it relates to short term savings.

Bill Dunn:

So the best advice that I can say I ever received was about longterm savings, and to rely on payroll to make those, to help out your savings. And, to make automatic contributions to your employer's 401K program, assuming you're offered one, directly through payroll. If the employer offers a matching contribution, it is so important that the employees' contribution, at the very least, equal that matching amount. If you don't, you're just leaving money on the table. To the extent that employees can exceed that matching amount, they absolutely should.

Bill Dunn:

The second part of this is that the contributions should start as early as possible. There are things that I would like to be able to go back in time, go back 30 years, and tell ... There's so many things I needed to tell my younger self, but this is one. I would have gotten involved in my 401K earlier, and at a higher level.

Bill Dunn:

You know, Albert Einstein called compound interest the Eight Wonder of the World. He said, "He who understands it, earns it. And he who doesn't, pays it." That really seems to sum it right up.

Nina Talley:

I've never heard that, and it's such an incredible point. Who would have thought that Einstein was right? Well thank you so much for sharing that with us. I truly did not know that. That's great.

Nina Talley:

What a perfect way to wrap our episode. Gentlemen, thank you so, so much for your time, and for your expertise. It has been such an absolute pleasure talking with you today, and learning from you both.

Nina Talley:

I do want to say thank you so much to our listeners, without you Pay Talk would not be possible. Make sure you like and subscribe us on your preferred podcast streaming service, that's the best way to support Pay Talk, and make sure that we can keep bringing you the human stories that make payroll so personal. Until next time, folks, this has been your host Nina Talley, with Pay Talk.

Speaker 1:

Thank you so much for joining us for Pay Talk, the payroll people's podcast created by the American Payroll Association. You can find additional information about our guests and the topics discussed in the episode description. For more insightful payroll content, make sure to join the APA as an official member at americanpayroll.org.

Speaker 1:

Don't forget to like and subscribe to Pay Talk on your preferred podcast platform, and to follow the APA for Pay Talk updates on LinkedIn, Twitter, and Facebook. We'll talk with you next month.