



New York AG Proposes Legislation Regulating Payroll Cards.

Insights

2.19.15

Following his office's 2013 investigation into payroll cards and release of a report on the issue in 2014, New York Attorney General Eric Schneiderman recently sent legislation regarding the use of payroll cards by employers to pay employees to the Legislature for consideration and action.

A payroll card is a debit card used by employers to pay employees' wages in lieu of payment by paper check or direct deposit. Each payday, the employer deposits an employee's wages electronically into an account connected to a payroll card. The employee then uses the card to access the funds similar to using a traditional bank issued debit card.

The legislation, according to the Attorney General's office, would:

1. Allow employees to elect whether they are paid through a payroll card, direct deposit, or paper check;
2. Require employers to ensure that employees receive clear and appropriate notice of the payroll card program's terms and conditions, including any potential fees and how to avoid the fees;
3. Prohibit employers from using payroll card programs that charge certain types of fees; and
4. Require employers use payroll card programs with at least one network of ATMs that would allow employees access to their wages without paying a fee.

Currently, New York law does not address the use of payroll cards, the law only expressly addresses the use of direct deposit. Any use of payroll cards within the state has been allowed as a result of agency interpretation. The bill will hopefully provide clearer and more consistent guidance for employers who choose to use payroll cards. There does not appear to be any action scheduled on the bill by Legislature at this time. In the meantime, employers employing persons in New York and using payroll cards should review their programs to determine if they will need to make changes to their programs if the bill becomes law.

