

Wage & Hour Law Update

New Pennsylvania Legislation Allows Payment of Wages by Payroll Debit Cards

By Mariah H. McGrogan and Marla N. Presley on November 28, 2016

Employers in Pennsylvania will be able to pay employee wages using payroll debit cards under an amendment to the banking code signed by Governor Tom Wolf on November 4, 2016. The new legislation goes into effect 180 days following the signing, on May 4, 2017.

An alternative to payment of wages by direct deposits or payroll checks, a payroll debit card is a prepaid card onto which an employer can load an employee's wages each payday. These cards allow employers to pay employees who do not have bank accounts without requiring the employee to pay a fee to access the money. Once wages are loaded onto the cards, the cards can be used where debit cards are accepted. With most cards, employees also can withdraw the money as cash from an ATM.

Under the amendment, employers are permitted to use payroll debit cards under certain conditions. For example, payroll debit cards must be optional for employees, employers may not require employees to accept payment by payroll debit cards. Further, employers that decide to use payroll debit cards must comply with certain notice and authorization requirements proscribed by the statute.

The amendment places certain requirements on the card itself. For example, the card must allow one free withdrawal of wages each pay period and one in-network ATM withdrawal at least weekly. Employees using the card also must be able to check the card's balance electronically or by telephone without a fee charged to the employee. In addition, the card must not impose fees for certain transactions, including issuance of the initial card and one replacement card per calendar year, transfer of wages to the card itself, and for non-use of the card for a period of less than 12 months.

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