

Illinois Permits Employer Use of Payroll Cards

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On August 6, 2014, Illinois Governor Pat Quinn signed [HB5622](#) into law, amending the Illinois Wage Payment and Collection Act (IWPCA) to permit employers to pay employees using [payroll cards](#). Up until now, the IWPCA permitted employers to pay their employees by only cash, check, or direct deposit into a bank account. As of January 1, 2015, employers will be able to pay their employees' wages, commissions, bonuses, and compensation for earned holidays and vacation time using payroll cards linked to employee specific payroll accounts.

Amendments to the IWPCA

The bill amends the IWPCA in three ways. First, the bill amends section 2 of the IWPCA on general definitions to define the terms "payroll card," "payroll card account," and "payroll card issuer." (820 ILCS 115/2.) Second, the bill amends section 4 of the IWPCA, which defines the ways in which an employer can pay an employee, to include payroll cards as a method of payment. (820 ILCS 115/4.) Lastly, the bill adds a new section to the IWPCA, section 14.5, laying out the requirements to which employers must adhere to use payroll cards lawfully. (820 ILCS 115/14.5.)

Requirements Employers Must Meet to Use Payroll Cards

While the bill sets forth several requirements employers must meet to lawfully use payroll cards, the most fundamental requirement is that employers may not make receipt of wages by payroll card a condition of employment or a condition for the receipt of any benefit or pay. Furthermore, employers are not permitted to pay an employee with a payroll card unless the employer first provides the employee with a written disclosure listing—among other things—the fees and transaction fees that can be deducted from the employee's payroll card account by the employer or payroll card issuer. Employers must also receive written or electronic consent from employees who wish to receive wages by payroll card.

The bill limits the fees employers can impose upon employees who choose to use the card. For example, employers may not charge an employee a fee for withdrawing money from his or her payroll card account until the employee exceeds one withdrawal per pay period, or (if the employee is not paid multiple times during a month), two withdrawals per month. Likewise, the law prevents employers from charging employees a monthly fee for declined transactions until the employee exceeds two declined transactions in one month. In addition, employers are prohibited from implementing a payroll card program that charges fees for point of sale transactions or for participation in the payroll card program. An employer can, however, charge an employee a fee if the employee's payroll card account is inactive for a year.

Practical Advice for Employers Using Payroll Cards

Employers that choose to offer employees payroll cards after January 1, 2015, must ensure that they strictly comply with the requirements of the newly added Section 14.5 of the IWPCA. An employer's failure to meet even one of these requirements could invite the scrutiny of the Illinois Department of Labor.

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