

# AMERICAN PAYROLL ASSOCIATION

June 24, 2022

The Honorable Representative Jim Cox  
Chair, Labor & Industry Committee  
Pennsylvania House of Representatives  
213 Ryan Office Building  
Harrisburg, PA 17120  
[jcox@pahousegop.com](mailto:jcox@pahousegop.com)

The Honorable Representative Gerald Mullery  
Democratic Chair, Labor & Industry Committee  
Pennsylvania House of Representatives  
114 Irvis Office Building  
Harrisburg, PA 17120  
[gmullery@pahouse.net](mailto:gmullery@pahouse.net)

Re: Support for H.B. 1762 – Use of Electronic Funds Transfer Systems

Dear Representatives Cox and Mullery:

The American Payroll Association (APA) is writing to express **strong support for H.B. 1762**. The bill would enable employers to fully adopt electronic methods of wage payments, including direct deposit or payroll card, and eliminate paper checks.

## **About the APA**

The APA is a nonprofit association representing more than 20,000 payroll professionals in the United States. APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. In addition, APA's Government Relations Task Force (GRTF) works with the legislative and executive branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers.

## **Law Changes are Needed to Allow Employers to Pay Wages Electronically**

Electronic wage payments through direct deposit or payroll card are efficient, reliable, and a cost-saving decision for employers, as well as a vast improvement over paper checks in terms of consumer protections and convenience. Employees should be able to choose between direct deposit or payroll cards at any time. Employers could still offer paper checks if they prefer.

Over the past two years, business shutdowns and travel restrictions caused by the COVID-19 pandemic have made it nearly impossible for employers to meet their wage payment obligations on payday because of the requirement to offer employees paper checks. Offices were closed, travel was restricted, employees were not able to go to the workplace to pick up their check, and mail delivery slowed. The response to COVID-19 highlighted the problem; yet this has been a longstanding problem whenever bad weather or other local emergencies make travel difficult. Electronic payments eliminate this concern and enable employers to meet their obligations to pay employees on payday regardless of the circumstances.

### **Further Explanation on the Need for Electronic Wage Payments**

The following explains in more detail why electronic wage payments and the elimination of paper checks should be permitted:

- Most states already allow employers to offer electronic wage payment options. In the states that allow electronic wage payments, there have been no complaints and employees quickly adapt and are often thankful for the change.
- Most payments are already electronic. Virtually all government payments are electronic (e.g., tax refunds, unemployment, social security, nutrition assistance, disability, etc.). According to Nacha<sup>®</sup>, 93% of American workers are already paid via direct deposit. European workers have not seen a paper paycheck in decades. In addition, public-sector employees in the U.S. are generally all paid electronically. *Only private-sector employers remain mired in wage payment laws better suited to the 1940s.*
- Paper checks can interfere with workers' financial security because they do not allow for easy and timely access to wages. Employees often take extra steps to travel to the workplace to receive paper checks, travel to a bank to deposit the checks, and wait for the checks to clear. If mail is slow, employees may not receive their pay on schedule. Some employees use costly check-cashing stores and then carry their entire paycheck in cash, which is subject to loss or theft.
- Payroll cards offer employees better alternative consumer protections and convenience. Cardholders can use payroll cards anywhere they would use a check. For example, these cards provide free online bill payments and Internet shopping, and free associated savings features and financial wellness tools. Payroll cards can be used for travel arrangements that require electronic payments (flights, hotels, rental cars, etc.). Unlike paper checks, payroll cards provide protections from fraud or unauthorized use, and offer dispute resolution. Workers cannot overdraw their payroll card accounts, so there are no insufficient fund fees.
- Electronic wage payments open the door to earlier availability of earned pay. Many banks credit direct deposit of electronic payroll payments before the pay date. Banks also waive certain fees when consumers directly deposit their wages. Electronic wage statements (pay stubs) also are generally available a day or two before payday. Earned wage access

programs offered by employers allow employees to access earned wages before scheduled paydays, but only for employees who are paid electronically.

The APA urges the committee to favorably consider H.B. 1762. We would be pleased to discuss this with you or other stakeholders. Please contact me at [ajacobsohn@americanpayroll.org](mailto:ajacobsohn@americanpayroll.org) or at 202-669-4001.

Sincerely,



Alice P. Jacobsohn, Esq.  
Director, Government Relations

For Cochairs, GRTF Electronic Payments subcommittee:  
Nancy Fletcher, CPP  
Ronn Gilson, CPP  
Kristine Wilson, CPP

Cochairs, GRTF State and Local Topics Subcommittee:  
Pete Isberg  
Carlanna Livingstone, CPP  
Bruce Phipps, CPP