

AMERICAN PAYROLL ASSOCIATION

June 24, 2019

The Honorable Patricia D. Jehlen
Chair, Joint Committee on Labor and Workforce Development
Massachusetts Senate
24 Beacon Street, Room 424
Boston, MA 02133

The Honorable Paul Brodeur
Chair, Joint Committee on Labor and Workforce Development
Massachusetts House of Representatives
24 Beacon Street, Room 472
Boston, MA 02133

Re: In support of bill, House No. 1600, An Act protecting wages of employees who receive wages through an electronic wage card

Dear Chairs Jehlen and Brodeur:

The American Payroll Association (APA) appreciates the opportunity to comment on bill, House No. 1600, which would amend Massachusetts's labor code to codify long-standing administrative guidance with respect to payroll cards. We support H. 1600 because it provides appropriate protections to employees while allowing employers to enjoy the efficiencies of an electronic payroll.

Many APA members use payroll cards to make secure, timely, and inexpensive wage payments to their employees, and those employees enjoy the rich suite of features and consumer protections that come along with payroll cards.

About APA

The APA is a nonprofit professional association representing more than 20,000 payroll professionals and the needs of their employers in the United States, including 490 members physically located in Massachusetts. The 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, the APA's Government Relations Task Force 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.

The APA's Government Relations Task Force Subcommittee on Payroll Cards monitors the development and use of payroll cards within the employer community and helps educate policymakers and regulators about the benefits and uses of the cards. Since 2004, the subcommittee has supported numerous legislative and regulatory initiatives that provide employers with clear guidance on their responsibilities under the law, ensure that employees have full and free access to their wages on payday, and require that employees be provided with information on how to use a payroll card to their advantage.

Payroll Cards Provide a Wide Array of Benefits to Employers and Employees

Payroll cards allow employees without bank accounts and those with limited access to traditional financial services to enjoy the convenience and security that their coworkers experience with direct deposit. Without payroll cards, these workers often rely on expensive check cashing services to access their wages, and then incur additional expenses when purchasing money orders to pay their bills. Payroll cards provide unbanked and under-banked workers with a Federal Deposit Insurance Corporation (FDIC)-insured account without the hassles of credit checks. They provide an inexpensive and convenient means of making purchases and paying their bills. Additionally, many payroll card programs provide features that consumers have come to expect from mainstream financial service providers—including online bill pay, savings functions, and mobile check cashing.

Payroll cards have been regulated at the federal level since 2007 and are subject to a comprehensive consumer protection framework. Employees with payroll cards enjoy the same rights regarding account errors and unauthorized transactions as a consumer with a traditional checking account. In April, 2019, the Consumer Financial Protection Bureau's Regulation E was amended to provide for enhanced disclosures of terms and conditions and to strengthen consumer protections for payroll card holders.

The ability to pay employees electronically benefits employers as well. Payroll cards allow employers to deliver wages in a timely manner to all employees including those who do not participate in direct deposit. This is true even when employees are away from the workplace and during periods of severe weather and natural disasters when mail delivery can be impeded. Payroll cards also allow employers to enjoy administrative efficiencies and, in many instances, cost savings.

Massachusetts Should Adopt H. 1600

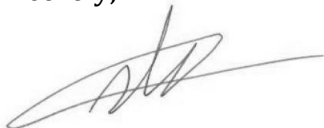
We encourage the Massachusetts legislature to enact H. 1600 because it would benefit both employees and employers.

According to the most recent study of the unbanked conducted by the FDIC, 20.6% of households in Massachusetts are either unbanked or underbanked.¹ The passage of H. 1600 would be a significant benefit to the thousands of Massachusetts workers who currently do not have access to the banking system and would provide them with a new path to financial freedom and control of their finances. This legislation also would ensure that payroll card users, on top of the protections provided under federal law, have full access to their wages plus the ability to check their account balance via telephone or the internet without charge.

H. 1600 also would benefit employers. Current Massachusetts law does not include an explicit statement that payroll cards are an authorized method of wage payment, although regulators have informally confirmed that use of payroll cards is permissible. H. 1600 would correct that oversight and provide clarity and certainty to Massachusetts employers that wish to offer this method of wage payment to their employees.

Thank you for the opportunity to comment on this important issue. We welcome the opportunity to discuss the above issues with you further. In this regard, please feel free to contact Bill Dunn by email at bdunn@americanpayroll.org or by phone at 202-232-6889.

Sincerely,



Stephen Middlebrook, Esq.
Cochair, Subcommittee on
Payroll Cards



Nancy Fletcher, CPP
Cochair, Subcommittee on
Payroll Cards



William Dunn, CPP
Director, Government
Relations

¹ 2017 FDIC National Survey of Unbanked and Underbanked Households, Massachusetts data available at <https://economicinclusion.gov/surveys/place-data.html?where=Massachusetts&when=2017>.