

AMERICAN PAYROLL ASSOCIATION

March 18, 2019

The Honorable Rafael Anchia
Chair, Committee on International Relations & Economic Development
Texas House of Representatives
Room 1N.5
P.O. Box 2910
Austin, TX 78768-2910

Re: In support of House Bill 2240, An Act relating to the payment of wages by an employer through a payroll card account

Dear Chairman Anchia:

The American Payroll Association (APA) appreciates this opportunity to express our support for House Bill 2240, which would bring the Texas Labor Code into the 21st century with respect to wage payment. HB 2240 would modernize the rules related to how employers may pay their workers by authorizing the payment of wages to a payroll card. Many American employers use payroll cards to make secure, timely, and inexpensive wage payments to their employees, and those employees enjoy a rich suite of features and consumer protections through those payroll cards.

About the American Payroll Association

APA is a nonprofit professional association representing more than 20,000 payroll professionals and the needs of their employers in the United States. APA is headquartered in San Antonio and has 1,900 members in Texas, and many more members throughout the United States who pay employees in Texas. 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.

APA's Government Relations Task Force Subcommittee on Payroll Cards monitors the development and use of payroll cards within the employer community. The subcommittee also helps educate policymakers and regulators about the benefits, features, 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 information on how to use payroll cards 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 underbanked workers with a safe place to store their wages and offer them a convenient, secure, and inexpensive means of making purchases and paying their bills. Additionally, many payroll card programs provide program 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 do consumers with traditional checking accounts. In addition, in April 2019, the Consumer Financial Protection Bureau's Prepaid Accounts Rule will go into effect, providing for enhanced disclosure of terms and conditions and further strengthening protections for payroll card users.

The ability to pay employees electronically can also provide a substantial benefit to employers. 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 and in-person delivery can be impeded, delayed, or impossible. Payroll cards also allow employers to enjoy administrative efficiencies and, in many instances, cost savings.

The American Payroll Association Urges Enactment of HB 2240

APA strongly supports HB 2240. It would explicitly authorize Texas employers to pay their employees using payroll cards, making the benefits of electronic pay available to those workers who do not have bank accounts. Banked employees who prefer to receive their wages through direct deposit will continue to enjoy that option. HB 2240 would allow employers to achieve 100% electronic payment of wages while ensuring that employees have a safe, inexpensive, and convenient method of receiving their wages in a manner that is fully compliant with federal consumer protection requirements.

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

Sincerely,



William Dunn, CPP
Director of Government Relations