

AMERICAN PAYROLL ASSOCIATION

January 29, 2020

The Honorable Nellie Pou
Chair, Senate Commerce Committee
New Jersey State House
125 West State Street
Trenton, NJ 08608
Via email SenPou@njleg.org

Re: S.B. 866, *Earned Income Access Services*

Dear Senator Pou:

The American Payroll Association (APA) requests an opportunity to discuss S.B. 866 with you to offer some recommendations. Specifically, APA is concerned that S.B. 866 would preclude New Jersey employers from offering early wage access to their employees. The ability for employees to access earnings prior to payday is a significant benefit to countless families nationwide and helps to reduce employee stress and the often-high cost of meeting short-term spending emergencies.

Established in 1982, the American Payroll Association (APA) is a not-for-profit association serving the interests of about 20,000 payroll professionals nationwide. APA's primary mission is to educate its members and the payroll industry about the best practices associated with paying America's workers while complying with applicable federal, state, and local laws and regulations. APA members are directly responsible for calculating wages and tax withholding for their employers.

Unfortunately, it is not uncommon for occasional miscalculated or surprise expenses to become a major burden on working families. Most workers still live paycheck to paycheck with insufficient cash savings to cover the incidental needs that many of us take for granted. In some instances, the inability to meet these needs can prevent an employee from getting to work, compounding the problem.

Several new financial technology firms have made early wage access options convenient and inexpensive for workers to understand how much they have earned in the current pay period, and if needed, to ask for some percentage of their earnings prior to payday. This typically costs about as much as an ATM withdrawal, which is an improvement over almost any other alternative.

However, provisions in S.B. 866 would prevent employers from making early wage access available to New Jersey workers. Applying an Annual Percentage Rate (APR) limitation to amounts that are received just a few days earlier than they otherwise would be is not appropriate. An APR limitation

is intended to prevent high interest rates on loans. These transactions are not the same as loans because workers are merely accessing pay that they have already earned.

We urge the legislature to amend the bill in a way that would establish appropriate consumer safeguards, but still permit early wage access. As written, S.B. 866 would effectively and arbitrarily prohibit the practice, leaving consumers with fewer choices to deal with car repairs and other emergencies, and subjecting them to late fees and returned-check fees.

To discuss early wage access and S.B. 866 further with APA, please contact Alice Jacobsohn at 202-248-3901 or ajacobsohn@americanpayroll.org. Thank you.

Sincerely,



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