



What Employers Should Know About Using Payroll Cards

Posted on July 22 2016 01:47 PM

Employers Must Comply With Certain Rules

Certain employers may be able to arrange with a bank or other financial institution to pay employees with a [payroll debit card](#). In such instances, an employee's pay is loaded directly to a payroll card rather than deposited to a bank account or provided in the form of a paper check.

Employers utilizing payroll debit cards must comply with certain laws and regulations, including [guidance](#) issued by the federal Consumer Financial Protection Bureau. Below are several things employers should keep in mind regarding payroll cards.

Employers Cannot Require Payroll Cards

An employer [cannot require](#) an employee to receive his or her wages on a payroll card—the employer must offer at least one other alternative.

For example, some employers may give employees a choice between direct deposit into a bank account, direct deposit to a payroll card, or a paper check, while other employers may only give employees a choice between the first two of these options. State law may also require that an employer make additional options available (or may not authorize the use of payroll cards), so be sure to check your state's requirements.

The Law Protects Employees

Federal law contains provisions specific to payroll cards that provide employees with [certain protections](#), including:

- **Disclosure of Fees.** Payroll card holders are entitled to receive disclosures of any fees they may incur. These disclosures must be clear, in writing, and in a form that holders may keep.
- **Access to Account History.** A payroll card issuer must either provide periodic statements as required by law, or alternatively must make card holders' account balances and histories available in specified formats. The account history must include information on any fees imposed for fund transfers.
- **Error Resolution Rights.** If a card holder reports a payroll card account error, the financial institution must respond so long as the report is received within a certain amount of time.

Other Laws Also Affect Employee Pay

Employers should be mindful that fees associated with payroll cards may have the effect of reducing employees' wages below the minimum wage, which may lead to potential penalties under the federal [Fair Labor Standards Act](#) and state minimum wage laws. Also, certain states may regulate or prohibit the use of payroll cards. Contact your [state labor office](#) for more information.

Call Us at 1-888-465-1171 with Your Questions