

Legislative Analysis



PAYROLL DEBIT CARDS

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House Bill 5821

Sponsor: Rep. Dan Scripps

Committee: Banking and Financial Services

Complete to 5-5-10

A SUMMARY OF HOUSE BILL 5821 AS INTRODUCED 2-16-10

House Bill 5821 would amend Public Act 390 of 1978 (MCL 408.476), which regulates the way that wages and fringe benefits are paid to employees, to revise the requirements for issuing payroll debit cards.

Now under the law, an employer (or agent of an employer) can pay wages to an employee by U.S. currency, negotiable check or draft, direct deposit, or payroll debit card. (As used in this section, "payroll debit card" means a stored-value debit card that provides an employee access to wages, for withdrawal or transfer by the employee, through a network of automatic teller machines. The term includes cards commonly known as payroll debit cards, payroll cards, and pay-cards.)

House Bill 5821 would retain these options but modify the payroll debit card provision to say that an employer could pay wages to any employee with a payroll debit card *that allows the employee to make at least one withdrawal or transfer per pay period without charge for any amount the employee elects up to the balance accessible through the card.*

The bill also specifies that an employer or agent of an employer may require employees to receive wages by either direct deposit or a payroll debit card if the employer has done all of the following:

- Given the employee a written form that allows the employee the option to receive wages either by direct deposit to the employee's account at a financial institution or through a payroll debit card; and
- Included a statement on the written form indicating that failure to return the form within three days with the account information necessary to implement direct deposit will be presumed to indicate consent to receiving wages through a payroll debit card.

FISCAL IMPACT:

The bill would appear to have no significant fiscal impact on the state or local units of government. The Department of Energy, Labor, and Economic Growth-Wage and Hour Division, is charged with the responsibility of enforcing 1978 PA 390. The division's responsibilities under the act include receiving, investigating, and resolving complaints

alleging a violation of the act, which include nonpayment of wages, and would include failure to comply with the notice and protest requirement provided for under the bill regarding the mandatory use of direct deposit or payroll debit cards. Accordingly, the division could potentially see an increase the number of complaints it must investigate, if employers fail to comply with the notice requirements under the bill for using direct deposit or payroll debit cards. For FY 2010, the appropriation for the Wage and Hour Division is \$3.2 million Gross (\$336,000 GF/GP), supporting 35.0 FTE positions.

Local units of government would impacted through the provision in the bill easing the requirements on implementing the use of direct deposit or payroll debit cards for employers. To the extent that transitioning away from traditional paper payroll checks proves to be more economical for the local unit (and to the extent it hasn't already occurred), the bill could potentially result in some cost savings to local units of government.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.