



Eye On Washington

Legislative Update



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Connecticut Adopts Legislation to Permit Employers to Pay Wages by Payroll Card

On June 7, 2016, the state of Connecticut enacted Public Act No. 16-125 to recognize payroll cards as a permissible form of wage payment. Prior to the enactment of the law, the Connecticut statute only mentioned payroll check, cash, and direct deposit as methods employers could use to pay wages. In recent years, the Connecticut Department of Labor began questioning whether state law would permit the agency to consider payroll cards as another form of direct deposit (as many other states do). After several attempts to enact legislation to clarify the law, and years of uncertainty for employers, Public Act No. 16-125 now authorizes payroll cards as a method of wage payment for employees. It also establishes a number of consumer protections for employees who elect to receive their wages by payroll card, as well as new requirements for wage statements.

What This Means for Employers

Payroll Cards

Beginning October 1, 2016, employers may offer wage payment by payroll card, but must also offer choice of direct deposit and paper payroll checks. Employees who elect to use payroll cards must be permitted to change their method of wage payment upon providing notice to their employer. Any such change should take place not later than the first payday after fourteen (14) days from the employer receiving a request notice from the employee. Additionally, the new law requires that any payroll card program must adhere to the following:

- Ensure the employee voluntarily and expressly authorizes in writing their desire to receive wages by payroll card, and not make the use of payroll cards a condition of employment (electronic authorization is permitted).
- Prior to the employee electing to be paid by payroll card, employers must disclose – in writing – the terms and conditions, as well as a list of fees associated with the program.
- Such disclosures must also explain the methods available to the employee for accessing their full net wages, ways to minimize fees, and how to check account balances without incurring fees.
- Permit three (3) free withdrawals per pay period from the payroll card account without fees, one of which permits withdrawal of the full amount of the net wages for the pay period at a bank or other convenient location.
- Charge no fees for issuing the initial payroll card, transferring wages to the payroll card account, maintenance, closing the payroll card account, low balance, inactivity for the first twelve (12) months of dormancy or inactivity, or point-of-sale transactions.
- Permit the employee to receive one (1) free replacement card each calendar year.
- Permit the employee to check their balance either by an automated telephone system, automated teller machine (ATM), or electronically at no cost to the employee – 24 hours per day and seven days per week.



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- Do not allow the payroll card account to be linked to any form of credit or to permit overdrafts.
- Do not charge for declined transaction fees for an overdraft or the first two (2) declined transactions of each month.
- Offer an option to receive written monthly transaction histories at no cost.
- Be associated with an ATM network that has a substantial number of in-network ATMs in the state.
- Provide for federal depository insurance through the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA).

Wage Statements

The new law also amends the Connecticut statute governing wage statements (pay stubs). As of October 1, 2016, Connecticut law will explicitly allow employers to

provide employees with an electronic pay stub, provided employees authorize this method of delivery in writing. Currently, the law is silent on electronic pay stubs, but the Connecticut Department of Labor has interpreted this form of pay stub to be permissible. Employers that provide electronic pay stubs will need to provide a means for employees to “securely, privately, and conveniently access and print” them.

Future Legislation

In recent years, lawmakers have become increasingly interested in the topic of payroll cards as this method of wage payment continues to grow in popularity with employees. This year alone, more than seven states considered legislation or regulations concerning payroll cards. Moving forward, we expect to see continued efforts from state and federal policymakers to either facilitate or further regulate elements of payroll cards.

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