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## PA Law on Payroll Card Use

STATE AND LOCAL TAX

BY SCHNEIDER DOWNS PROFESSIONAL

Last November, Pennsylvania Governor Tom Wolf signed into law the Payroll Cards (pay cards) Bill S.B. 1265. This law became effective May 3, 2017. Until it was passed, there were no explicit regulations surrounding pay card use in Pennsylvania. Most businesses treated the use of pay cards with the same regulations as direct deposits.

The prior regulations included in Pennsylvania Stat. 7.6121 & 7.6122:

- Direct deposit cannot be required by the employer
- Direct deposit must be signed for in writing (or electronic signature)
- The employee must receive a detailed pay statement
- Bank of deposit must be at the sole discretion of the employee
- The employee can withdraw consent and receive a paper check within a reasonable amount of time

The new law goes into additional details specific to payroll cards. They include:

- Pay cards must comply with Federal law 12 CFR Part 1005 on electronic funds transfers (Regulation E)
- Funds must be with an FDIC-insured institution
- Pay cards cannot be a condition of employment or required for receipt of benefits
- Notice must be issued to the employee with:
  - Wage payment options
  - Terms, conditions and fees for pay card account option
  - Notice of third-party fee assessments
  - Methods for accessing funds without fees
- Pay cards must
  - Allow employee at least one free withdraw per pay period
  - Permit one in-network ATM withdraw each pay period
  - Provide means of assessing balance via phone or internet
  - Never cause funds to expire
- Pay card providers cannot charge fees for:
  - Application or initiation of card

- Issuance of initial card
- One replacement card per calendar year
- Transfer of wages from employer to employee
- Purchase transactions at point of sale
- Non-use or inactivity fees for less than 12 months in duration
- Nothing included in this law should override the terms of any collective bargaining agreement.

If you have any questions about the use or implementation of a payroll card program, contact Tina M. Frysinger at 412.697.5209 or [tfrysinger@schneiderdowns.com](mailto:tfrysinger@schneiderdowns.com).

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