



May 22, 2017

# Considerations for Implementing a Payroll Card System

STATE AND LOCAL TAX

BY SCHNEIDER DOWNS PROFESSIONAL

Does your business issue a high number of payroll checks? Do you experience a high level of turnover? I would suggest you consider implementing a payroll card (pay card) system.

## WHAT ARE PAY CARDS?

Investopedia explains:

*"Payroll cards are an alternative to direct deposit or paper checks. These cards are issued by major payment processors, such as Visa, allowing workers to use them anywhere credit cards are accepted. Users access their money from an ATM or cash back purchase in the same manner as with a traditional debit or credit card. Payroll cards are also reloadable, so a worker need not receive a new card each pay period."* [1]

## WHAT ARE THE BENEFITS?

The biggest benefit is reduced expenditures. With every check that is cut, there is a handling fee. The handling fee includes the time and expense associated with printing a check, along with the additional cost of getting the check into the hands of the employee. Starbucks Coffee moved to paperless pay and began to auto-enroll its employees where permissible. Note: Auto-enrollment is not allowed in all states (Pennsylvania does not allow it). Starbucks expected an \$870,000 reduction of expenses after their final rollout.[2] Expected savings would come from avoiding substantial overnight mailing expense, minimizing check printing expense, and from reconciliation savings.

The secondary benefit is timely and accurately payment of employees. The NACHA Operating rule changes, effective September 23, 2016, allow for same-day EFTs.[3] Same-day EFTs combined with an effective pay card system means that employees can be paid on the same day, for off-cycle payments.

## ARE THERE OTHER CONSIDERATIONS?

It is helpful to have an employee self-service portal where the employee can access their detailed payroll information. This eliminates the handling of pay stubs for electronic payments. Your business will get the biggest bang for your buck while increasing employee autonomy.

# HOW DO WE SUCCESSFULLY ROLL-OUT A PAY CARD SYSTEM?

Employee adoption is important to the success of the program. You will want to create a partnership with your pay card provider to help with the transition. Features to help adoption rates include: 24/7 customer service, quick replacement time, easy access to balance inquiry, online/mobile access, account notifications, bill pay and convenience checks.<sup>[4]</sup>

There are several other strategies that can be used to increase electronic payment enrollment. Create a campaign to promote the move to electronic payments. Utilize gift card or paid-time-off giveaways to increase employees' motivation to sign up. Campaigns may run over several months and at various locations. Offer incentives to the managers or the departments to get their employees enrolled. At the end of the campaign, have human resources or managers hold one-on-one conversations with leftover stragglers. Explain the time and expense saving benefits the employee will experience using pay cards. Explain how pay cards are more secure and can be easier to replace than a paper check. Finally, modify the on-boarding process in a way that promotes pay card or direct deposit use. Working towards complete adoption takes some effort, but ultimately will help change the culture of the organization.

If you have any questions or would like to explore a pay card program, contact Tina M. Frysinger at 412.697.5209 or [tfrysinger@schneiderdowns.com](mailto:tfrysinger@schneiderdowns.com).

---

[1] <http://www.investopedia.com/terms/p/payroll-card.asp>

[2] Mendelson, Frank J. "Webinar Serves Story of Starbucks' Paperless Pay." PayTech. Jan. 2017: 73. Print.

[3] <https://www.nacha.org/rules/same-day-ach-moving-payments-faster>

[4] Medelson, Frank J. "Webinar Reveals 8 Steps to Paycard Success." PayTech. Feb. 2017:60. Print.

## You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at [contactSD@schneiderdowns.com](mailto:contactSD@schneiderdowns.com).

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).