

# House Research Act Summary

**CHAPTER:** 158

**SESSION:** 2005 Regular Session

**TOPIC:** Payroll card accounts

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## Overview

This act modifies the definition of "wage" in the Minnesota Fair Labor Standards Act to include compensation to an employee by electronic transfer to a payroll card account and regulates the payment of wages through payroll card accounts.

### Section

- 1 **Definition of wage.** Modifies the definition of wage to include an electronic fund transfer to a payroll card account that meets the requirements set forth in section 0.
- 2 **Payroll card accounts.**

**Subd. 1. Definitions.** Defines the following terms:

- "Payroll card" means a card issued to an employee to access funds from a payroll card account.
- "Payroll card account" means an agreement providing that an employer pays each participating employee's wages by electronic transfer to an account and participating employees receive a payroll card to access the account.
- "Payroll card issuer" means a bank or other entity issuing a payroll card.
- "Offers a payroll card" includes direct offers by the employer and employer distribution to employees of materials describing a payroll card program.

- "Free" means no fee is deducted from the payroll card account or charged to the employee by any entity.
- "Fee" means all fees, charges, surcharges, or costs deducted from a payroll card account or charged by any entity.

**Subd. 2. Filing.** Requires a payroll card issuer to file notice with the commissioner of its true name, other names, address, and telephone number.

**Subd. 3. Ownership of wages.** Specifies that wages paid by electronic funds transferred to an employee's payroll card account must be owned by the employee.

**Subd. 4. Availability of wages.** Provides that an employee must be able to withdraw by a free transaction wages transferred to a payroll card account on the employee's regular payday.

**Subd. 5. Written disclosure.** Requires employers offering electronic fund transfers of wages to disclose to employees in writing: (1) all wage payment options, (2) the terms and conditions of each option, and (3) the employee's and employer's rights, liabilities, and responsibilities under each option. Requires employers to include certain information in the written disclosure, such as fees that would apply.

**Subd. 6. Written consent.** Allows employers to initiate payment by transfer to a payroll card account only upon receiving an employee's signed, written consent.

**Subd. 7. Transactions; statements; fees.** Requires employers to provide employees, upon request, to provide one free transaction history for the employee's payroll card account each month.

**Subd. 8. No link to credit.** Prohibits the linkage of payroll cards and payroll card accounts with credit, including loans against future pay and cash advances.

**Subd. 9. Personal information.** Prohibits employers (and payroll card issuers, depository institutions, and financial institutions) from using information generated by an employee's use or possession of a payroll card or payroll card account for any purpose other than processing transactions and administering the payroll card account.

**Subd. 10. Languages other than English.** Requires an employer who offers an employee a payroll card using written materials in a language other than English must ensure the provision of consumer services to that employee in that other language.

**Subd. 11. Change of wage payment method.** Specifies that employees receiving wages by electronic fund transfer to a payroll card account may request payment by a different method in writing. Requires employers to begin payment by the requested method within 14 days of the employee's request.

**Subd. 12. Limitation on employer fees.** Prohibits an employer from charging employees initiation, participation, loading, or other fees to receive wages payable in

an electronic fund transfer to a payroll card account.

**Subd. 13. Prohibited deductions and charges.** Prohibits deductions from a payroll card account for fees that were not disclosed to the employee. Prohibits inactivity or dormancy fees.

**Subd. 14. Violation; penalty.** Provides that violations of §177.255 are subject to the penalty provided in § 177.32, subdivision 1 (employer misdemeanors).

**3 Study; report.** Requires the commissioner to report to House and Senate committee chairs with jurisdiction over jobs and economic development on the use of payroll cards by February 15, 2007.

**4 Effective date; termination.** Makes this act effective the day following final enactment. Specifies that the amendments made in sections 1, and section 2 and 3, expire on May 31, 2007.