

One Minute Memo[®]



Illinois Joins Other States Restricting Employer Use of Pay Cards

By Condon McGlothlen

Governor Quinn yesterday signed a law that restricts paying employees electronically via pay cards (also known as pay cards or “e-pay”). Use of these cards has skyrocketed in recent years, as employers look to reduce payroll-related expenses and paper transactions generally. A growing number of states have laws and regulations restricting pay cards, although few statutes are as detailed as the new Illinois law. Among other things, the cards have triggered a federal court lawsuit in Pennsylvania and a wide-reaching investigation by New York’s Attorney General.

The e-pay amendments bill, championed by Attorney General Lisa Madigan and the Illinois Department of Labor, amends the Wage Payment and Collection Act. Illinois will soon regulate pay cards by:

- Prohibiting employers from making their use a condition of employment.
- Requiring employers to obtain employees’ voluntary consent before they receive wages by pay cards.
- Requiring that employers provide ways to receive wages other than pay cards.
- Mandating that employers disclose to employees receiving wages via pay card the terms and conditions associated with the card and an itemized list of applicable fees.
- Requiring that employers provide workers access to their full wages at no cost every 2 weeks.
- Barring employers from using pay cards featuring certain types of fees such as initiation fees, declined transaction and point of sale transaction fees.
- Requiring that employees be provided paper or electronic transaction histories at no cost at least once per month.
- Delinking pay card programs from any form of credit such as overdraft fees, cash advance schemes, and loans against future wages.

January 1, 2015 Effective Date

The e-pay amendments take effect January 1, 2015. Employers will doubtless have questions between now and then. Among other things, those with employees outside Illinois will need to reconcile the new Illinois mandates with those of other jurisdictions.

Best Practices

Employers should review their hiring and pay processes to ensure that they comply with Illinois' new e-pay law.

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