



Forget paper paychecks: New Michigan law allows employers to go plastic only

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Darren Breen | The Grand Rapids Press

Rodney McFall brings his paycheck to cash at Duthler's Family Foods

GRAND RAPIDS — Rodney McFall remembers standing in long lines late Friday afternoons to cash his paycheck.

These days, electronic banking means those lines are growing shorter at check-cashing outlets. McFall rarely waits longer than a few minutes.

"I like getting a check because I can cash it when I want to," said McFall, as he stepped up to a Western Union counter at Duthler's Family Foods grocery store on Bridge Street NW.

Those Friday afternoon lines will shrink even further this year with a **new state law** that lets employers do away with paper paychecks.

Employees will have the option of having their wages deposited directly into their accounts or onto plastic pay cards that usually work like debit cards.

The savings will be significant for companies, said William Dunn, of the American Payroll Association.

Studies show that businesses spend 50 cents to \$3 to issue one paycheck, compared with direct deposit, Dunn said.

"It's interesting all the hidden costs related to paying an employee," he said, noting that payroll checks require special ink and paper.

Until now, employers — with a few exceptions — couldn't stop issuing paper paychecks unless the employee agrees. Michigan is the latest state to let companies move to a paperless payroll.

Other states allow employers to mandate the payment method, said attorney Robert Dubault, with Warner, Norcross & Judd in the law firm's Muskegon office.

"We're a little bit behind the curve in Michigan," said Dubault, who specializes in labor and employment law. "I don't think (most businesses) view it as going as far as they like. Many would like to do just direct deposit. It's certainly a step in the right direction."

Michigan's new law includes provisions to protect employees, such as limiting the fees associated with the pay cards, Dubault said.

Part of the paperless push comes from Uncle Sam. Last year, the federal government mandated companies make tax payments electronically.

The feds will no longer give Social Security recipients the choice of a check after May 1. Payments will be directly deposited into a bank or credit union account or loaded onto a prepaid Direct Express Debit MasterCard.

The move will save the government \$120 million annually, said Richard Gregg, Treasury fiscal assistant secretary.

These days, more people bank electronically.

"When I started in banking 30 years ago, we used to have lines out the door every Friday with people waiting to cash payroll checks and make deposits," said Martin Moran, PNC's senior vice president of business banking for outstate Michigan.

People still come to bank branches with paychecks on Friday, but the number declines every year.



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Rodney McFall, center, cashes his paycheck at Duthler's Family Foods with the help of front end manager Monique Smith.

Most people starting their first jobs out of college will begin their adult banking experience on their iPhones or computers, Moran said.

For employers, going electronic means not having to worry about employees losing checks or washing them with the laundry. Even farms now use pay cards to pay seasonal workers.

"You can pay rent and mortgage with pay cards," Moran said.

Like many banks, PNC often works with its client companies to train employees about the benefits of direct deposit or pay cards, making sure they understand how to use each system, Martin said.

Tom Duthler, co-owner of Duthler's Family Foods, said his family's business doesn't have any immediate plans to switch to an electronic payroll.

"Paper is still convenient for us," he said, adding the chain of urban stores continues to offer check-cashing services.

McFall, a bus driver for The Rapids, said he cashes his check at Duthler's because he wants to support neighborhood businesses.

"I like to spend locally," he said.

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