



2011 Payroll Fact Sheet

Paperless Payroll: Michigan's Revised Payroll Disbursement Law

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In a change to Michigan's payment of wages and benefits law, the Michigan Legislature recently changed the law so that employers may require their employees to accept compensation in a paperless form; through either direct deposit or by using a payroll debit card. The amendment to the Payment of Wage and Fringe Benefits is attached. The former version of the law required an employee's consent for the use of a payroll debit card.

Most people are familiar with direct deposit, which allows employers to deposit their employees' wages or salary directly into a bank account. A payroll debit card allows employers to pay employees through a debit card. Through this method, employees may receive their cash at an ATM or by getting cash back from a purchase at the store. They can also use the debit card to make purchases.

Payroll debit cards have the potential to benefit both employers and employees. For employers it decreases the cost of payroll by eliminating the cost of paper checks, which can cost upwards of two dollars apiece. Payroll debit cards benefit employees without bank accounts (about 17% of all workers).

If your business is looking to decrease payroll costs here are some key aspects of the new law. Your business may elect to pay its employees using only direct deposit or a payroll debit card so long as you provide your employees with a form to choose either direct deposit or a payroll debit card; all information regarding fees, terms and conditions, determining balance of card, and the way to change method of payment.

Additionally, in order to use a payroll debit card, the card must meet the following requirements: (1) allow one withdrawal per pay period without charge; (2) no changes in fees without 21 days' notice to employees; and (3) provide a method for employees to check their balances an unlimited amount of times either by phone or electronically.