

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 751  
Economic Matters

(Delegate D. Davis)

Finance

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Labor and Employment - Payment of Wages - Credit to Debit Card or Card  
Account

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This bill authorizes employers to credit an employee's wages to a debit card or card account which allows the employee to access the funds through withdrawal, purchase, or transfer. The employee must authorize the payment to be made in this manner, and any card or account fees must be disclosed to the employee in writing.

The bill takes effect June 1, 2005.

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Fiscal Summary

**State Effect:** Any change in State activities would not materially affect State finances.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:** Employers are required to pay wages in U.S. currency or by a check that, on demand, is convertible at face value into U.S. currency. That does not prohibit the direct deposit of wages into a personal bank account of an employee if authorized by the employee.

**Background:** In 2001, Visa launched its first "payroll card," which over 1 million Americans were using in 2004. Predictions estimate that number will grow to almost 3.8

million by 2006. Payroll cards have gained popularity because they are less costly to an employer than producing paper checks and they provide easy access to cash through ATMs and purchases for an employee without a bank account. Though programs differ from bank to bank, typically, an employee receives a Visa or Mastercard branded plastic card, and each pay period the card is credited with the employee's wages. The employee can withdraw cash from affiliated ATM machines or use the card to make a purchase anywhere the Visa or Mastercard is accepted.

The purported advantages of these cards are cost savings for the employer over the production of a paper check and the employee saves in relation to the cost of check cashing. The actual cost of the payroll card program and the fees charged to both employers and employees differ widely from program to program. According to a report by the Comptroller of the Currency, Community Affairs Department, some state laws require an employer to provide an employee with a means of accessing wages at no cost.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 712 (Senator Kelley) – Finance.

**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2005  
kb/ljm Revised - House Third Reader - March 25, 2005

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