

# Michigan Amends Wages and Fringe Benefits Act

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Michigan employers are now permitted to *require* their employees to receive their wages through direct deposit or payroll debit cards.

On Dec. 21, 2010, then Gov. Jennifer Granholm signed into law an amendment to Michigan's Wages & Fringe Benefits Act ending the decades' long prohibition of this practice.

Since the 1970s, the Act required wages to be paid in currency or by negotiable check and provided that "[a]n employer ... shall not deposit an employee's wages in a bank, credit union or savings and loan association without the full, free and written consent of the employee or prospective employee, obtained without intimidation, coercion or fear of discharge or reprisal for refusal to permit the deposit." MCL 408.476. Violations of the Act are a misdemeanor and may also result in civil penalties.

Now, however, employers can go "paperless" without violating the Act.

To require employees to use direct deposit or a payroll debit card, an employer must do all of the following:

- Provide a written form to each employee to select debit card or direct deposit (and for the employee to provide account information for the direct deposit)
- (With the exception of employee who currently are paid by direct deposit, or for any employee of an employer that was already paying wages by debit card to at least one employee as of Jan. 1, 2005), inform employees that failure to return their selection form within 30 days with the requisite account information shall result in payment by debit card.
- Provide the following disclosures concerning the payroll debit card:
  - Terms and conditions of use, including a detailed list of fees associated with the card
  - Means of accessing wages without cost
  - Notice that use of card outside of an ATM network may result in additional fees
  - Instruction on making balance inquiries at no cost

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- The right to elect to be paid by direct deposit rather than a debit card
- Notice that the payroll debit card does not provide access to a checking or savings account

Payroll debit cards must have certain characteristics concerning fees, access and the financial institution to which it is linked. Additional rules may also apply.

If you are interested in creating a paperless payroll system, contact the author Claudia D. Orr or any member of Plunkett Cooney's Labor and Employment Law Practice Group. To review a practice group directory, [click here](#) or call Labor and Employment Practice Group Leader Theresa Smith Lloyd at (248) 901-4005.