

PUBLICATION

Will That be Check or Cash...or Prepaid Debit Card?

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Tennessee's wage payment law now allows employers to compensate employees through means other than cash or checks. Specifically, the amendment allows employers to pay employees through electronic automated funds transfers and prepaid debit card transactions. Prior to this amendment of Tenn. Code Ann. Section 50-2-103(e), the law specified that payment could only be made by check or cash.

Employees may now be paid by cash, check, electronic automated funds transfer or a credit to a prepaid debit card. If an employer wishes to compensate its employees using prepaid debit cards, however, certain conditions must be met. First, the employee must be given the choice of being paid by electronic funds transfer. The employer must also explain the payment system to the employee and must provide written disclosures of applicable fees associated with the use of prepaid debit cards. If the employee does not request an electronic funds transfer or designate an account at a financial institution for such transfer, the employer may arrange to pay the employee by prepaid debit card. However, the employer must ensure that the employee is able to make at least one withdrawal or transfer from the debit card each pay period, at no cost to the employee, for any amount on the card.

While this amendment expands the avenues through which employers may compensate their employees, it also adds additional requirements for employers that choose to compensate employees using prepaid debit cards. Employers, therefore, must ensure they are providing their employees with the information required by the statute so employees can make an informed decision about their method of compensation. If you're interested in exploring this new type of payment system for your employees, contact your Baker Donelson attorney or any of our nearly 70 Labor & Employment attorneys, located in *Birmingham, Alabama; Atlanta, Georgia; Baton Rouge, Mandeville and New Orleans, Louisiana; Jackson, Mississippi; and Chattanooga, Johnson City, Knoxville, Memphis and Nashville, Tennessee.*

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