Arizona has joined a growing list of states that allow employers to pay wages electronically. Recent amendments to Arizona’s wage payment statutes (A.R.S. §§ 23-350 and -351) went into effect on July 20, 2011, providing employers the option of paying wages using a “payroll card account” to employees who decline to authorize payment by direct deposit to their bank or financial institution.

Before the amendments, Arizona’s wage payment statutes required that private employers pay wages in the form of “lawful money of the United States, or in negotiable bank checks” whenever employees did not provide consent to payment by direct deposit. Generally, this meant that employers were required to issue cash or paper checks. Although the amendments continue to expressly require employee consent for payment by direct deposit (and prohibit the discharge or reprimand of any employee who declines direct deposit), they give employers another electronic payment option when employees do not consent to payment by direct deposit. This new option allows employers to pay wages by deposit to a “payroll card account.”

The amendments define a “payroll card account” as an account that is “directly or indirectly established through an employer and to which electronic fund transfers of an employee’s wages are made on a recurring basis whether the account is operated or managed by the employer, a third-party payroll processor, a depository institution or any other person.” While this definition provides employers with little helpful guidance as to how to set up a payroll card account, the amendments do list some basic requirements for employers that choose to make wage payments using this new option. Specifically, the amendments require that an employee paid by deposit to a payroll card account also receive the following:

1. A written or electronic statement of the employee’s earnings and withholdings;
2. At least one free withdrawal for each deposit of wages per pay period, but not more frequently than once per week; and
3. A list of all fees associated with the payroll card account.