

Clarification on the Use of the ALINE Card by ADP® for Termination or Final Pay

Dear Client,

As part of our commitment to providing you best practices, we're clarifying the use of the ALINE Card for termination or final payments to employees.

What You Need to Know

If you are using the ALINE Card to issue final pay to a terminating employee, please be aware that from a compliance perspective, the following elements are recommended for a payroll card to be appropriately used in such a manner.

The employee must have:

- (1) Previously voluntarily elected to receive their full net pay on the ALINE Card, and
- (2) Previously agreed to the terms and conditions and associated fees of the card by activating the card.

Loading wages on a card for an employee who is being terminated and had not previously received wages on a card that the employee activated is not recommended to deliver termination pay. This is not a best practice, because prior voluntary consent is required and may be difficult to demonstrate following the termination of an employee, especially if such employee was not already receiving all of his or her wages on a card.

Additionally, employers must apply only the portion of pay that an employee has directed to an account. As a result, for an employee who previously provided consent but had only directed partial payment of their pay to their card (e.g. to receive a specific percentage or specific dollar amount of their pay each pay period onto the card), and the final payment would not follow the same directed amount, the payroll card should not be used to issue final pay unless you've also captured consent to pay all wages in the event of a termination solely on the card.

Other Important Considerations: It should also be noted that under Federal Regulation E and most, if not all, states require that a payroll card cannot be the sole wage payment method offered. Please be sure that you offer employees the wage payment options required based on the applicable state.

Frequently Asked Questions

Q: Why does the payroll card need to be activated to be used for termination or final pay?

A: Any payroll funds pushed by the employer to the card are not accessible to the employee until the employee activates the card. Until activation has occurred, any pay (termination or otherwise) directed by the employer to that employee may not be considered received by that employee from a wage and hour compliance perspective.

Q: Besides pushing wages to a card, what other options do I have to pay a terminating employee in an immediate pay state?

A: Alternate methods of payment include a traditional paper check or direct deposit (in the case where the employee has consented to receive their wages via direct deposit). Please note that payments processed through ADP are subject to the applicable funding and processing times in place.

We hope this helps clarify best practices when using the ALINE Card for termination or final pay for your employees. If you have any questions, please contact your ALINE Card Service Team representative. We thank you for your continued business.

Sincerely,

ADP

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