July 20, 2023

The Honorable Patrick McHenry
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
4340 O'Neill House Building
Washington, DC 20515

Re: Recent Bank Failures and the Greater Payroll Community

Dear Chairman McHenry and Ranking Member Waters:

PayrollOrg (PAYO), formally the American Payroll Association,[1] brings to your attention concerns about bank failures and their potential effect on the payroll community. As a non-profit organization representing payroll professionals, PAYO would like to provide the payroll professionals prospective on ways to protect payroll accounts and better prepare employers to manage risk.

The payroll community is concerned with both the employer and employee side regarding bank failures and how these failures can interrupt seamless payouts. The timely processing of payroll is an important aspect of a business' operations, and it provides employees with the money they need to live. Any interruptions to timely paying employees can lead to catastrophic problems for both employers and employees.

On the employer side, money for payroll is kept in bank accounts that operate like any other business-related account. If the employer's banking institution fails, the employer might be unable to process payroll on normal processing dates, leading to other delays with the release of employees' paychecks. Additionally, the standard FDIC insurance amount of $250,000 would fail to cover many employers' payroll accounts leading to more delays with payroll processing in the event of a bank failure.

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[1] Established in 1982, PAYO is a non-profit organization serving the interests of more than 20,000 payroll professionals nationwide. One of PAYO's core missions is providing representation for payroll professionals at the federal, state, and local levels. This is done primarily through PAYO's Government Relations Task Force in which members educate government and community leaders about the payroll industry and the best practices associated with paying America's workers.

PayrollOrg has previously stated its support for the FDIC's "Options for Deposit Insurance Reform," which was released on May 1, and its recommendations to adjust the deposit insurance framework and/or increase the deposit insurance amount. PAYO is especially pleased that payroll accounts or "business payment accounts" were considered in the report. These accounts were further highlighted by Ranking Member Waters during the recent *Roundtable on Deposit Insurance Reform*.

PAYO looks forward to working with the House Financial Services Committee when it undertakes a review of the FDIC's report and is pleased to see that there is some legislative movement on this issue. We would be pleased to offer any additional insight when it comes to payroll accounts.

While PAYO advocates for individual payroll professionals, we see the issues for employees as well. For employees, delays in paycheck processing can lead to undo financial hardship, as well as other financial issues, such as penalties and other fees associated with non-sufficient funds.

Furthermore, employers use the same banking institution to remit employment trust fund taxes (federal and state income tax withholding, and social security and Medicare taxes) to the IRS and state agencies. Timely remittance of trust fund tax is required, and although penalties may be waived for an explainable delay, interest usually cannot be waived, which adds another financial burden to business account holders of a failed bank.

Thank you for your consideration. PAYO can be reached through Adam Prinzo at 516-761-2919 or aprinzo@payroll.org.

Sincerely,

Adam Prinzo
Assistant Manager, Government Relations

For: Government Relations Task Force
        Electronic Payments Subcommittee
        Cochairs Nancy Fletcher, CPP, Ronald Gilson, CPP, and Kristine Willson, CPP

        Federal Issues Subcommittee
        Cochairs Rebecca Harshberger, CPP, and Jon Schausten, CPP