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Local Finance Notice

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Distribution

Municipal & Freeholder Bd. Clerks
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Fire District Officials

Local Units May Require Employees to Use Direct Deposit

This Notice discusses the ability of municipalities and counties to mandate direct deposit of employee pay, as well as recently enacted legislation extending this power to local authorities and fire districts. Through these laws, local units have an additional tool with which to control personnel-related costs.

Section 3 of [P.L. 2013, c.28](#), effective as of July 1, 2014, authorized municipalities and counties to adopt an ordinance or resolution, as appropriate, to provide for the mandatory direct deposit of net pay for all employees. The ordinance or resolution requiring mandatory direct deposit can also apply to any "board, commission, bureau, department, or public agency" of the municipality or county (e.g. library board of trustees, county board of health). Section 46 of [P.L. 2015, c. 95](#), the "Division of Local Government Services Modernization and Local Mandate Relief Act of 2015" enacted on August 10, 2015, clarified that local authorities and fire districts have similar authority. This Notice is the first in a series of guidance to be issued by the Division discussing changes made by the new law.

If a direct deposit ordinance or resolution is enacted after the above-referenced laws became effective, employee participation is mandatory unless the governing body grants an exemption. Exemptions may be granted for seasonal and temporary employees. If a local unit has previously enacted a direct deposit ordinance pursuant to subsection (a) of [N.J.S.A. 52:14-15f](#), which only authorized permissive and not mandatory employee participation, a new ordinance or resolution may be enacted to require mandatory direct deposit.

Local units are required to make available (solely via the Internet) W-2 forms, information concerning net pay, and other information approved for distribution with these documents. Access shall be restricted, with policies and procedures in place to protect the integrity and confidentiality of the information. Your payroll provider should have an online system that complies with this provision.

Approved: Timothy J. Cunningham, Director

Document	Internet Address
P.L. 2013, c.28	http://www.njleg.state.nj.us/2012/Bills/AL13/28_.PDF
P.L. 2015, c.95	http://www.njleg.state.nj.us/2014/Bills/S2500/2454_R3.PDF