

AN ACT

1 Providing for proof of fidelity insurance and surety bonds by
2 payroll processors and imposing a penalty.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Payroll Bond
7 Act.

8 Section 2. Definitions.

9 The following words and phrases when used in this act shall
10 have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Department." The Department of Revenue of the Commonwealth.

13 "Payroll processing services." Preparing and issuing payroll
14 checks, preparing and filing Federal and State income
15 withholding tax reports or unemployment contribution reports, or
16 collecting, holding and turning over income withholding taxes to
17 the department or Federal or local tax authorities as provided

1 under Federal and State law.

2 "Payroll processor." A person that provides a payroll
3 processing service for one or more employers.

4 "Secretary." The Secretary of Revenue of the Commonwealth.
5 Section 3. Proof of fidelity insurance.

6 A payroll processor that issues payroll checks shall annually
7 provide to the secretary proof of one of the following, at the
8 payroll processor's option, in an amount two times the highest
9 weekly payroll processed by the payroll processor in the
10 preceding year or in the amount of \$5,000,000, whichever is
11 less:

- 12 (1) fidelity bond;
- 13 (2) employee dishonesty bond;
- 14 (3) third-party fidelity coverage; or
- 15 (4) liability insurance, including crime coverage.

16 Section 4. Surety bonds.

17 (a) General rule.--Each payroll processor shall annually
18 provide evidence of a surety bond, in a form approved by the
19 secretary, in an amount equal to the total of all Federal, State
20 and local tax payments and unemployment insurance premiums
21 processed by the payroll processor on behalf of employers in
22 this Commonwealth in the three-consecutive-month period of
23 highest volume during the previous calendar year or \$50,000,
24 whichever is greater, but not to exceed \$500,000.

25 (b) Designation and use.--The bond shall designate the
26 secretary as payee and the bond may be used for the purposes of
27 the secretary and for the benefit of an employer who may have a
28 cause of action against the payroll processor.

29 (c) Terms.--The terms of the bond shall run continuously
30 until canceled and the aggregate amount of the bond shall be

1 maintained at all times while the payroll processor operates in
2 this Commonwealth.

3 (d) Notice by surety companies.--A surety company issuing a
4 bond under this section shall immediately notify the secretary
5 when that bond is canceled, terminates or lapses. The following
6 shall apply:

7 (1) The notice shall include the name and address of the
8 payroll processor and the amount of the bond.

9 (2) The cancellation, termination or lapse shall not be
10 effective until at least 30 days after the secretary receives
11 notice.

12 Section 5. Penalty.

13 (a) Fine.--A payroll processor which does not secure
14 sufficient bonding and is found in violation of this act shall
15 be fined \$1,000 for the first offense and \$5,000 for each
16 subsequent offense.

17 (b) Deposit of proceeds.--All fines or penalties collected
18 under this act shall be paid into the State Treasury through the
19 department and deposited in to the General Fund.

20 Section 6. Effective date.

21 This act shall take effect in 60 days.