

A “Bit” Of A Challenge To Employers: Bitcoin And Other Alternative Payroll Methods

July 11, 2014 | | [Letter Of The Law, Labor And Employment](#)



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The rise of alternative payroll methods such as prepaid debit cards and Bitcoin is likely to present both opportunities and challenges for employers in the very near future. In 2013, nearly 4.5 million employees received wages on a payroll card. Major retailers, such as Lord & Taylor and Overstock.com, began accepting Bitcoin as a method of payment. Some employees express a preference for alternative payroll methods. This growing popularity in unconventional payment methods is no surprise, as the alternatives provide value to both employers and employees. For example, electronic wage payment can be significantly cheaper than paper checks and provides added safety and security. However, these alternatives are not without challenges and employers must be aware of them before offering alternative payment options.

First, the [federal government has taken the position](#) that employers cannot force employees to receive wages via a prepaid debit card. Additionally, an employee who chooses this method is entitled to specific protections including access to fee and account information. Bitcoin, although not nearly as popular as payroll debit cards, could potentially present significant legal challenges to employers in the near future. For example, paying employees in Bitcoin, as opposed to traditional currency, may not count as “wages” under the FLSA. Therefore, the law may require employers to pay employees in traditional currency up to minimum wage and supplement the rest with Bitcoin or a digital currency of the employee’s choice. Additionally, Bitcoin is considered “property,” not currency, and must be [taxed accordingly](#).

Regardless, the age of digital currency and alternative payroll options is upon us and employers will be called upon to address it. Proceed cautiously if you wish to pay employees using one of these alternative methods, or if an employee requests it.

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