April 1, 2025

The Honorable Donna Bailey & Lori Gramlich

Co-Chairs of the Joint Committee On Health Coverage, Insurance and Financial Services

Maine State House, Cross Building, Room 220

Augusta, ME 04330

Re: Joint Opposition to Maine LD 1110 - H.P. 729 (Tax on Money Transmissions)

Dear Chair Bailey, Chair Gramlich, and Distinguished Members of the Committee

On behalf the Electronic Transactions Association (ETA), the Money Services Business Association (MSBA), The Money Services Round Table (TMSRT), and the Financial Technology Association (FTA), we write to urge the Maine legislature to not adopt LD 1110 - H.P. 729.

This legislation, if enacted, would impose a tax of $5.00 on each "money transmission" conducted by a licensed money transmitter or an authorized delegate in the amount of $500 or less. For any such money transmission in excess of $500, a licensed money transmitter or its authorized delegate would be required to collect a tax of 3% of the amount in excess of $500. "Money transmission" is defined under current Maine money transmission law as: "(1) selling or issuing payment instruments to a person located in this state; (2) selling or issuing stored value to a person located in this state; or (3) receiving money for transmission from a person located in this state."[1]

The tax would apply to all domestic and international money transmission transactions conducted by consumers and by commercial enterprises in Maine. Based on the definition of "money transmission," the tax would also appear to apply to all purchases of money orders and stored value/prepaid cards. The legislation does not cap the amount of the tax. LD 1110 / H.P. 729 would also impose a requirement on licensees and their authorized delegates to post a notice of the tax at premises at which they operate. And H.P. 729 would impose new reporting requirements on licensees and authorized delegates. The commissioner would have the authority to suspend or revoke a license or authorized delegate authorization in the event of noncompliance with the tax collection and related requirement.[2]

Reasons for Opposition to Tax Legislation

We oppose H.P. 729 because it would impose a significant burden on Maine customers and businesses, and would favor some types of financial institutions (such as large banks) over others. It would harm law enforcement efforts to combat money laundering and other illicit

[1] Minn. Stat. § 53B.28 Subd. 18.

[2] H.P. 729 purports to provide licensees "a discount in the amount equal to 0.75%" of the tax collected in the prior quarter if the licensee timely complies with its obligations to collect and remit the tax. Given that a noncompliance with the requirements of H.P. 729 is punishable by license suspension or revocation, this ostensible compliance discount appears more in the spirit of a revenue share than any sort of incentivization to comply with the underlying requirements of the law and seems out of place in a tax on the money transmission industry and its customers.

activity. It would disrupt the harmonization of regulation of money transmission in Maine and other states by adding different and conflicting posting and reporting obligations.

- **It favors other financial institutions.** The tax would be imposed only on licensed money transmitters and their authorized delegates, and not on other financial institutions such as banks in Maine that provide similar domestic and cross border payments services. Typically, payments and funds transfer services provided by banks—particularly cross-border wire transfers—are more expensive, less convenient, and slower. A major tax on the use of nonbank money transmission services will operate as a *de facto* subsidy for banks by making their services relatively more price-competitive with money transmission services.

- **It will harm local businesses.** Many licensed money transmitters offer services through a network of retail authorized delegate locations such as convenience stores, grocers, pharmacies, and other small businesses. The tax will make money transfer services offered through Maine businesses more expensive and discourage the use of these services. These businesses will lose direct revenues associated with providing these services as customers turn to alternatives, such as banks, for these needs. They will also lose revenue from the drop in foot traffic as customers seek alternatives for funds transfer services.

  Additionally, Maine businesses that rely on licensed money transmission companies for their own commercial payments needs will face added costs in paying suppliers and others, which will make a challenging business climate even more difficult. Businesses, particularly small businesses, frequently use bill pay services and other providers licensed as money transmitters to pay suppliers, domestically and internationally. The imposition of an uncapped tax of 3% tax per payment (assuming most commercial payments are in amounts well in excess of $500) could potentially result in Maine businesses facing a massive tax increase based on long-standing business practices.

- **It will harm consumers.** The tax would significantly increase the cost of money transmission services for Maine residents. Individual customers will be harmed by the burden of an added cost for the everyday activity of sending money to family or friends. And customers that use money transmission services to make high-dollar transfers, such as to pay for college abroad, will face exorbitant taxes. In all, like any substantial tax increase, H.P. 729 will significantly erode the spending power of Maine residents.[3]

- **It can harm law enforcement efforts to prevent and detect money laundering.** The tax risks distorting customer behaviors as Maine residents seek to mitigate its impact. It may therefore also harm law enforcement efforts to prevent and detect money

[3] The ability to obtain a nonrefundable tax credit up to 15 months later if the person files an individual income tax return in Maine does not materially mitigate this tax burden. Evidence from other states suggests that eligible consumers may not receive the tax credits for which they are eligible. In Oklahoma, which is the only U.S. state that has imposed a tax on money transmission transactions, consumers failed to claim 99.6% of tax credits on remittance taxes paid. Additionally, persons in Maine that do not file taxes in Maine, such as military personnel and college students, would not be eligible for the tax credit.

laundering.[4] The costs imposed by the new tax may encourage Maine residents to turn to unregulated and unmonitored channels to transmit their money. Licensed money transmitters are subject to extensive oversight by state and federal authorities, and must comply with detailed transaction recordkeeping and reporting requirements, as well as strict anti-terrorism and anti-money laundering laws and regulations. In fact, the Federal Bureau of Investigation recently released an alert warning Americans to avoid using money transmitting services which are not registered as Money Services Businesses.[5] Any remittance tax could hamper law enforcement's efforts to counter crime, money laundering, and foreign terrorism funding by changing customer behaviors and shifting activity away from licensed and regulated money transmitters.

- **It disrupts efforts to harmonize money transmission regulation.** The Conference of State Bank Supervisors ("CSBS") has undertaken efforts to harmonize regulation of money transmitters based on a single set of nationwide standards and requirements known as the "Model Money Transmission Modernization Act" (MMTMA). Statutory and regulatory harmonization on a state-by-state basis can enable more consistent oversight and regulation of money transmitters by state banking departments. Maine recently enacted a new money transmission law based on the MMTMA that largely harmonizes the regulation of money transmission in Maine with the MMTMA and, therefore, other states. Neither the MMTMA nor the new Maine money transmission law based on the MMTMA include taxes on money transmission services, requirements to post signage regarding such taxes, or quarterly reporting relating on such taxes. Adopting H.P. 729 would therefore be contrary to efforts to harmonize the regulation of money transmission.

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Licensed money transmitters provide consumers with a safe and reliable way to send money to family and friends, pay bills, and obtain other financial services. Those who use and benefit from these services—both directly and indirectly—will be harmed by this tax. Like any other significant tax increase, this tax will distort behaviors, depress consumption, and directly affect Maine businesses and consumers.

In light of the extensive concerns discussed herein, we believe H.P. 729 should not be adopted. We thank you for taking the time to consider these issues, and would be happy to discuss them further or address any questions you may have.

Respectfully submitted,

Brian Yates

Brian Yates, Senior Director, State Government Relations

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[4] In Louisiana, where a similar remittance tax was proposed (but not passed), the fiscal note warned that "[i]t is also possible that a tax levy may induce some money transmission to attempt to circumvent the currently licensed network and mechanisms . . ." See MONIQUE APPEANING, LA. LEGIS. FISCAL OFFICE, HB 539 (2021) FISCAL NOTE (2021).

[5] See FED. BUREAU OF INVESTIGATION, I-042524-PSA, ALERT ON CRYPTOCURRENCY MONEY SERVICES BUSINESSES (2024).

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