

TESTIMONY OF
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Before the Joint Standing Committee on Health Coverage, Insurance and Financial
Services

Hearing Date: *April 1, 2025*

LD #1110 – “*An Act to Require Remittance Fees for Money Transmissions*”

Senator Bailey, Representative Gramlich, and members of the Health Coverage, Insurance and Financial Services Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 1110, “*An Act to Require Remittance Fees for Money Transmissions*.”

This testimony is limited to the bill as it affects taxation and Maine Revenue Services. For tax years beginning on or after January 1, 2026, the bill provides a nonrefundable income tax credit to a person who is a sender of a money transmission and files a Maine individual income tax return with a valid social security number or a valid tax identification number. The credit is equal to the amount of the fee paid by the sender for the money transmission. The money transmission fee is equal to \$5 for each money transmission up to \$500 plus 3% of any amount in excess of \$500. Currently, there are no Maine income tax credits for money transmission fees.

While the income tax credit appears designed to offset the money transmission fee, it will not do so for lower income taxpayers who may be unable

to utilize the income tax credit due to insufficient tax liability to offset. In addition, it will increase complexity and record-keeping requirements for taxpayers who will need to maintain records of the money transmission fees paid for purposes of claiming the income tax credit.

Moving on to more technical concerns, the Administration notes:

- Section 1 of the bill limits the credit to individuals who file a state income tax return with either a valid social security number tax identification number; however, MRS must rely on the Internal Revenue Service for validation of social security numbers and tax identification numbers.
- The bill should be amended to define the term “sender” with respect to a money transmission.
- Section 8 of the bill should be amended to limit the credit to money transmission fees paid during the tax year.
- The Summary of the bill limits the credit to individual income tax returns; however, as currently written, Section 8 of the bill also applies to fiduciary and corporate income tax, and the financial institution franchise tax.
- The bill does not address the treatment of money transmission fees on refunded transactions and how these amounts affect the income tax credit in the case the fees are also refunded.

The preliminary estimated revenue impact is under consideration.

The preliminary estimated administrative costs are under review. The bill is expected to affect a significant portion of the 795,000 individual income tax

returns filed annually. One-time computer programming costs would be required to add an additional line to the individual income tax return to accommodate the income tax credit.

The Administration looks forward to working with the Committee on the bill.