

**Testimony of Christopher Cluff**  
**Committee on Health Coverage, Insurance and Financial Services**  
**Testifying in FAVOR of L.D. 2110**  
**An Act to Amend the Laws Governing Licensing of Payroll Processors**

March 7, 2024

Senator Bailey, Representative Perry, and Honorable Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Chris Cluff, I am a resident of Kennebunk and the President of Paper Trails – we are a Payroll and HR firm with offices in Kennebunk and Topsham; I employ 17 Mainers and our team serves over 800 small and mid-sized Maine businesses. I am testifying before you today in favor of **L.D. 2110, An Act to Amend the Laws Governing Licensing of Payroll Processors.**

For decades, Paper Trails has been licensed and audited by the Bureau of Consumer Credit Protection. Our relationship with the Bureau and its staff has always been cordial and professional. Indeed, licensing ensures a certain standard of professionalism in our industry and protects the wellbeing of our clients' and their employees' payroll and tax funds.

Since the original payroll licensing law was enacted in 2003, to my knowledge, there has not been a single loss of client funds in our state. The law and process are working. In late 2022, we were alerted to rules changes in our licensing process. The Bureau wanted to add significant new burdensome requirements to our licensing process and move licensing into the Nationwide Mortgage Licensing System (NMLS). Despite fervent opposition in the industry and without a financial impact analysis to evaluate the adverse effects on small businesses, agency rule Ch. 710 was adopted, and we were required to register through NMLS for our 2024 licensing. I have attached correspondence with my CPA that demonstrates just one piece of the financial impact the final rule would have on my business if it were ever to be fully enforced.

As depicted in its name, NMLS was designed for the mortgage industry, not the payroll industry. NMLS essentially dictates all steps in the process, many of which are not applicable to our industry. Given the new requirements and a very clunky system, the licensing process this year took me about 8 hours. In prior years, it has taken me less than an hour to complete our license process.

I'm all for improved process; every day in my business we're looking for better ways to do things. Almost always, that involves a new piece of technology. Despite the Bureau's efforts, NMLS is not the answer to their problems. There are steps in the process that must still be performed manually. We were required to mail state specific requirements that NMLS couldn't handle to the Bureau outside of the system. NMLS cannot handle the licensing structure that Maine requires, and the State had to bill us separately outside of the system.

The most daunting concern about the State of Maine employing NMLS for our licensing is that we are classified as "money services" licensees within the system. There is a wave of legislation across the country to categorize payroll processors as money transmitters (think Western Union) when we are most certainly not. Most states are using NMLS for this licensing, and by registering as money services licensees, our business information is being shared with other states that may potentially require us to provide proof in those states that we are NOT doing business there. These money transmitter licensing requirements in other states are starkly different than our own licensing requirements in Maine, and personally, I avoid taking on clients in those states because of the dramatic burden of these money transmitter licenses.

Myself and others in the industry have engaged with Superintendent Conti to try and find a reasonable solution to many of the more onerous requirements of licensing within NMLS, including requirements for audited financials, background checks, and access to our business bank accounts. We are grateful for this ongoing dialogue, but have not been able to achieve resolution. I am here today to respectfully request that the legislature take this matter a step further and solidify and stabilize our licensing process into law.

Thank you for your time and I am happy to answer questions from the committee.

Good afternoon Supt. Conti,

I wanted to forward you along this email from my CPA, Dana Dakers. He does not perform audits and has referred me to Purdy Powers for audited financials as will be required under the new NMLS licensing process. As I previously noted, the cost and time constraints of this new requirement are significant. We are a small organization who has previously had no need or requirement for audited financials. I did provide my tax returns for our most recent exam period.

Below, the team at Purdy Powers indicates that regardless of the cost, their team is booked out and would be unable to compete an audit for us prior to the new licensing deadline. This concerns me gravely as I'm concerned we'll be unable to meet licensing requirements and potentially be unable to conduct business in my home state and for the nearly 800 clients we serve. As a side note, this one new requirement alone will double the cost of our licensing process. That is a substantial change to the rules, and I'm hopeful that the bureau completed an economic impact study prior to this rule change.

I am reaching out to other CPA firms to investigate sooner availability, but I fear that I will face the same answer elsewhere.

Please advise on the Bureau's plans to accommodate small firms like myself who may not be able to meet these new requirements on such short notice.

Many thanks for your time-  
Chris



**Chris Cluff**

President

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**From:** Dana Dakers <[ddakers@dakershall.com](mailto:ddakers@dakershall.com)>

**Sent:** Wednesday, October 18, 2023 11:32 AM

**To:** Chris Cluff <[chris@papertrails.com](mailto:chris@papertrails.com)>

**Subject:** FW: fee and timing for audit

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Hi Chris,

Please let me know what you want to do!!

Talk to you later!!!

Thanks,

Dana

Dana O. Dakers, CPA, MST, MBA

**DAKERS** | **HALL**

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Charting *Your* Course.

**From:** David Shorette <[dshorette@purdypowers.com](mailto:dshorette@purdypowers.com)>

**Sent:** Wednesday, October 18, 2023 11:29 AM

**To:** Dana Dakers <[ddakers@dakershall.com](mailto:ddakers@dakershall.com)>

**Subject:** fee and timing for audit

Dana

Thanks for reaching out regarding an audit for Paper Trails. A financial statement audit would likely cost between \$16,000 and \$20,000. In terms of timing, our schedule is full this fall with previous promises but we may be able to fit something in late December through early January. Our schedule for mid-January through April 15<sup>th</sup> is already completely booked so if late December to early January isn't convenient for Paper Trails, at this point, we'd have to push things off until after the tax deadline in April.

Let us know if you'd like to continue the conversation or would like to try and get something in our calendar.

- Dave

David J. Shorette, CPA  
Shareholder  
[My Bio](#)