

Testimony of Genevieve McDonald
Joint Standing Committee on Health Coverage, Insurance and Financial Services
In Support of LD 1392
An Act to Limit the Applicability of the Laws Regulating Payroll Processors to Services
Provided by Payroll Processors to Employers with a Legal Address in the State

April 17, 2025

Senator Bailey, Representative Mathieson, and Honorable Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services:

Thank you for the opportunity to testify today. I am Genevieve McDonald of Stonington, and I am here on behalf of the Independent Payroll Providers Association (IPPA) and The Payroll Group (TPG). Both organizations represent small, independent payroll processors operating in Maine and across the country.

As returning members of the committee may recall, in 2024 the Bureau of Consumer Credit Protection (BCCP) implemented the most rigorous payroll processor licensing system in the country. We appreciate the Bureau reopening rulemaking to clarify some of those requirements. Today, we are asking the Legislature to take up another important clarification—how Maine’s law applies to remote workers.

I can illustrate the challenge with a real-world example:

I am a payroll processor located in New Hampshire. My client is a business also located in New Hampshire. I receive their payroll and see that an employee has a Maine address. Do I need to be licensed in Maine because a remote employee is located there? I don’t know if this employee is seasonal, temporary, or permanent. And I only have a few days’ notice.

Last fall, in response to member inquiries, IPPA and TPG reached out to the Department of Professional and Financial Regulation for clarification and to request that the Bureau issue guidance. The response received from Superintendent Conti was that, “Under this definition [10 M.R.S. §1495] a payroll processor that works for an employer that has no business in Maine but has an employee who works remotely from Maine, would not need a Maine payroll processor license” however, additional feedback indicated that current law is also ambiguous.

Three specific concerns have been raised during the discussion of this bill: Maine Revenue Services (MRS), Maine's Money Transmission Law (MTL), and the Maine Paid Family and Medical Leave (PFML) program.

MRS has long accepted payments—including income tax withholding and unemployment contributions—from out-of-state payroll processors who are not registered in Maine. That practice has continued without disruption. For the purposes of tax withholding under 36 M.R.S. §5250 payroll processors are not the “employer maintaining an office or transacting business in this state.”

MTL includes “in this state” language 32 M.R.S. §6071 (11) that is functionally the same as the language of LD 1392. The language of MTL originates from a national model and does not align as succinctly with Maine's statutory language. Further, payroll processors are not money transmitters, so while the exemption for payroll processors under MTL is limited to payroll processors licensed under 10 M.R.S. §1495; the Bureau has the authority to “exempt by regulation, rule or order if the administrator finds the exemption [...] is not necessary for the purposes of this Act. 32 M.R.S. §6074 (16).

PFML recently updated their website to include that payroll processors must be licensed by the Bureau in order to make payments. In response, some processors have told their clients they cannot offer this service in Maine and that employers will need to calculate and make these payments themselves. This could be resolved with the passage of LD 1392.

LD 1392 provides much-needed clarity by specifying that Maine's payroll processing licensure requirements apply only to services provided to *employers* with a legal address in Maine—not when a remote *worker* is located in the state. This common-sense measure provides clear guidance to payroll processors and employers about when Maine's licensure laws apply, reducing confusion and the risk of inadvertent non-compliance.

LD 1392 is a timely, targeted adjustment that supports the evolving nature of employment in the digital age. By acknowledging the complexities of remote work and cross-border employment, LD 1392 supports the continued growth of flexible work arrangements.

On behalf of IPPA and TPG, I respectfully urge the Committee to vote in favor of this legislation.

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