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H.B. 1042
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. King

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SUMMARY

- Authorizes the Director of Public Safety ("Director") to award grants to law enforcement agencies to defray costs related to the investigation of human trafficking, drug trafficking, and the enforcement of related laws.
- Requires the Director to ensure the funds are distributed equitably to jurisdictions throughout the state and among law enforcement agencies of varying sizes.
- Requires the Director to allow more than one law enforcement agency to apply collectively for a grant to fund cooperative efforts to investigate human trafficking and drug trafficking and enforce related laws, including efforts conducted through a drug task force.
- Funds the grants through a 3% transfer fee imposed on licensed money transmitters on money transfers involving money transmitted to a location outside the U.S., except when the transmission is funded through a debit or credit card issued by a financial institution or (with some exception) the transmission is conducted through a funds-transfer system.
- Requires the transfer fee to be paid by the money transmitter to the Division of Financial Institutions in the Department of Commerce on a quarterly basis.
- Authorizes the money transmitter to pass along the fee to its customers.
- Authorizes a refundable income tax credit for money transmitter customers who pay the transfer fee, up to $300 per year.
- Requires money transmitters to post a notice informing customers of their potential eligibility for the tax credit.

DETAILED ANALYSIS

Overview

The bill, named Ohio's Withholding Illegal Revenue Entering Drug Markets (WIRED) Act, [1] imposes a fee on transactions by money transmitters operating in Ohio for the purpose of providing revenue in the form of grants to local law enforcement. Such grants must be used to defray costs related to the investigation of human trafficking and drug trafficking, and the enforcement of related laws. The fee is imposed on money transmissions from a customer in Ohio that transmits money to a location outside the United States. The money transmitter is responsible for paying the transfer fee but may pass it through to the customer. If the money transmitter passes through the transfer fee to the customer, the customer is eligible under the bill to claim a refundable income tax credit with respect to the fee.

Under continuing law, unchanged by the bill, money transmitters are overseen by the Superintendent of Financial Institutions ("Superintendent") within the Department of Commerce. Money transmitters are any entity or person that is contracted "to receive, directly or indirectly and by any means, money or its equivalent from a person and to deliver, pay, or make accessible, by any means, method, manner or device, whether or not a payment instrument is used, the money received or its equivalent to the same or another person, at the same or another time, and at the same or another place." Transactions in which the recipient of the money is the principal or authorized representative of the principal in a transaction for which the money is received are not considered a money transmission. All money transmitters are required to be licensed by the Superintendent. Banks, credit unions, savings and loan institutions, and savings banks are exempt from the license requirement and, therefore, would not be subject to the bill's transfer fee.[2]

WIRED Fund

The bill creates the Withholding Illegal Revenue Entering Drug Markets (WIRED) Fund to be administered by the Superintendent and the Director of Public Safety. The Department of Public Safety (DPS) must use the money in the WIRED Fund to award grants to "law enforcement agencies" to defray costs incurred by those agencies for investigating human trafficking and drug trafficking and enforcing related laws. "Law enforcement agency" is defined in the bill as an organized police department, sheriff's office, or marshal's office of any county, municipal corporation, or township. The DPS Director, in consultation with the Superintendent, must adopt rules to establish (1) the guidelines for the grant program and for administering the Fund, and (2) establish application procedures for law enforcement agencies seeking a grant.[3]

The bill requires the DPS Director to ensure the funds are distributed equitably to jurisdictions throughout Ohio and among law enforcement agencies of varying sizes. The Director

[1] Section 5.

[2] R.C. 1315.01(G) and 1315.02(A), not in the bill.

[3] R.C. 1315.131(D) and 5502.80(A), (B), and (D).

must also allow more than one law enforcement agency to apply collectively for a grant to fund cooperative efforts to investigate human trafficking and drug trafficking and enforce related laws, including efforts conducted through a drug task force.

Under continuing law, a "drug task force" is defined as a drug task force organized in any county by the sheriff of the county, the prosecuting attorney of the county, the chief of police of the organized police department of any municipal corporation or township in the county, and the chief of police of the police force of any township police district or joint police district in the county to perform functions related to the enforcement of state drug laws and other state laws related to illegal drug activity.[4]

Transfer fee

To provide revenue for the WIRED Fund, the bill imposes a 3% fee on money transmissions from a customer in Ohio that transmits money to a location outside the United States. For example, if the customer sends $200, there would be a $6 fee associated with the transaction.

The bill does not apply the fee to transactions in which either:

- The transmission is conducted through a funds-transfer system provided that a transmission using an automated clearing house (ACH) is exempt from the fee only if the transmission is between accounts in financial institutions (which, under the bill, includes a bank, trust company, savings and loan association, savings bank, or credit union organized, chartered, or holding a license authorizing operation under Ohio law, any other state law, or federal law, or the parent or subsidiary of such institutions); or
- The transmission is funded through a debit or credit card issued by a financial institution.

The bill requires the fee to apply to transactions on and after the first day of January of the year that begins after the bill's effective date.

The bill allows a money transmitter to pass along the fee to its customers. However, any money transmitter that does so must provide the customer a receipt indicating the amount of the fee as a separate line item from any other amounts charged by the money transmitter in connection with the transaction.[5]

Quarterly report and payment

The bill requires money transmitters, on a quarterly basis, to file a report of the money transmitter's transactions subject to the transfer fee and pay the aggregate amount due on all such transactions during the previous quarter to the Superintendent. The report and fee must be submitted in a form and manner prescribed by the Superintendent. If the report is filed and the amount of the transfer fees shown on the report to be due is paid on or before the date the

[4] R.C. 5502.80(C); R.C. 5502.68(F), not in the bill.

[5] R.C. 1315.131(A) and (B); Section 4.

report is required to be filed, the person is entitled to a discount in the amount of the fee equal to ¾ of 1% of the amount otherwise shown to be due on the report.[6]

Tax credit for money transmitter customers

A customer to which the fee was passed along may claim a refundable income tax credit equal to the amount of such fees the customer paid during the year. Taking the example above, if a customer transfers $200 and, as part of the transaction, the money transmitter requires the customer to pay the $6 fee, the customer can later claim a $6 tax credit against their income tax liability, up to a maximum credit amount of $300 per year. If a pass-through entity has paid the fees, the credit may be apportioned and claimed by the entity's investors, but the credit claimed by any particular investor may not exceed the $300 annual cap.

The credit is refundable, which means that any excess amount of credit may be refunded to the customer if it reduces the customer's tax liability below zero. The credit is not available to money transmitters who pay the fee rather than pass it on to a customer. The Tax Commissioner may require taxpayers to provide proof of eligibility for the credit, e.g., receipts itemizing and verifying the amount of the fees paid. This credit is available for taxable years beginning on or after the first day of January beginning after the bill's 90-day effective date.[7]

Annual report

The bill requires the Tax Commissioner, on or before July 30 of each year, to certify to the Superintendent of Financial Institutions and the Director of Budget and Management the amount of tax credits claimed in the preceding fiscal year. Within 15 days of that certification, the Director is required to transfer that amount from the WIRED Fund to the GRF. This mechanism essentially uses the fee revenue to reimburse the GRF for amounts forgone due to the refundable tax credit.[8]

Notice requirement

The bill requires money transmitters subject to the bill's fee requirements to post a notice informing customers of the tax credit for any transfer fee the customer pays. The Superintendent must prescribe the form of the notice, and each money transmitter must conspicuously post the notice in the transmitter's place of business.[9]

[6] R.C. 1315.131(C).

[7] R.C. 5747.88(A) to (C) and 5747.98; Section 3.

[8] R.C. 5747.88(D).

[9] R.C. 1315.131(E).

HISTORY

Action	Date
Introduced	11-16-26

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