Money Service Business Association
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The Honorable Bill Roemer
Chair of the House Ways and Means Committee
Ohio State Legislature
1 Capitol Sq
Columbus, OH 43215

June 4, 2024

Re: MSBA Opposition to HB 451 – Ohio's Withholding Illegal Revenue Entering Drug Markets (WIRED) Act

Dear Chair Roemer, Vice Chair Lorenz, and Distinguished Members of the Committee,

On behalf of the Money Services Business Association (MSBA), I write today to express our opposition to H.B. 451, the WIRED Act. The MSBA is the largest national trade association that represents licensed money services businesses and is comprised of 100 companies, many of whom conduct business in Ohio. H.B. 451 would impose a 7% tax on money transmission transactions and would negatively impact Ohio consumers and businesses, disadvantage law enforcement investigations and increase administrative expenses for companies and regulators. We appreciate the opportunity to comment on this legislation and to raise with you our concerns regarding the unintended consequences of H.B. 451, and the harm it would do to the beneficial services that these companies provide.

Negative Impact on Ohioans.

H.B. 451 would impose a 7% tax on transactions that are sent outside the United States by consumers using the services of money transmitters licensed in the state of Ohio. Money transmitters would be able to pass the tax onto the consumers, and consumers would then be able to request a tax credit of up to $2,000 per annum.

The bill does not consider the many use-cases for sending money abroad, and the increased cost and burden that the bill would impose on such transactions. For example, the bill would impose a tax on:

- Consumers sending money abroad for study-abroad expenses;
- Non-Residents may need to transfer money while doing business in Ohio;
- Military families sending money to service members abroad; and,
- Organizations sending aid to war-torn countries.

Those consumers (taxpayers or residents) who would be eligible to apply for the tax credit or reimbursement would have to undergo an onerous process to recoup their money, including recordkeeping, the submission of official forms, and the loss of use of the money while they wait for the refund. Further, as noted in the examples above, consumers who are not Ohio residents would have no

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method by which to recoup the taxes they pay. Finally, the $2,000 tax credit would not fully reimburse some of the transactions that are for large amounts.

H.B. 451 limits the 7% tax to transactions carried out through licensed money transmitters. While alternate sending mechanisms exist for Ohio consumers, many prefer to use the services of money transfer companies for the convenience, speed, and lower cost. Furthermore, there is no evidence to support the contention that transactions carried out through licensed money transmitters are in any way more susceptible to abuse by bad actors than other money transfer methods.

Negative Impact on Unbanked and Underbanked.

The FDIC 2021 Survey on Unbanked noted that 7% of Ohio's population relied on the services of Money Transmitter companies. In addition to providing remittance services, these companies also provide consumers with bill-payment, money orders and stored value cards, which serve as a way for them to manage their finances. These financial services are critical to unbanked and underbanked customers, and additional fees would have an enormous negative impact on these individuals and their families.

Negative Impact on Ohio Businesses.

H.B. 451 would not only negatively impact Ohio residents, but it would also impact Ohio retail businesses offering and conducting "money transmission" transactions as authorized delegates of money transmitters and financial institutions. These retail businesses include convenience stores, big box retailers, grocers, gas stations and mom-and-pop retailers. All retailers would be required to change their point-of-sale (POS) systems to collect the new tax (and to configure the POS to distinguish between transactions that do and do not require collection of the fee), and disseminate and post in-store signage notifying consumers of the fee and train employees to explain the new fee imposed by H.B. 451.

POS change requirements are onerous for retailers, particularly for a small businesses that may not have sophisticated POS equipment. Additionally, some retailers have high turnover employment rates, and implementing training processes would be difficult, if not impossible. Lastly, raising the cost of money transmission services for individuals could result in a significant decrease in transaction volumes. The reduced business volume, coupled with the increased burden of compliance, would result in many Ohio small businesses ceasing to offer money transmission products and services to the consumers who rely on such products and services. These small business often operate in areas with limited bank branch offices and have hours to support personnel that may work night shifts.

This law would also place Ohio businesses selling money transfers in cities located close to the state's borders with other states at a severe competitive disadvantage, as consumers will use businesses in the neighboring states that do not charge the fee.

The law would also negatively impact Ohio businesses by reducing the significant foot traffic that small businesses receive as agents of licensed money transfer companies. The reduced sales would in turn decrease the amount of income tax paid by the stores and reduce the sales tax that the state of Ohio earns at those stores.

Negative Impact on Law Enforcement.

MSBA companies have robust anti-money laundering programs and work closely with Federal, State, and local law enforcement. The imposition of additional fees on remittances may encourage the possibility of regular cross-border remittances going "underground" through informal mechanisms (i.e., mules or hawala networks) to avoid paying the fee. This scenario produces a negative result from the transaction monitoring standpoint as industry and law enforcement would lose visibility into the transactions.

Licensed money transfer companies are increasingly recognized as an important resource by law enforcement in its efforts at identifying, investigating, and apprehending criminal networks. To this end, licensed money transfer companies file Suspicious Activity Reports (SARS) with the Financial Crimes Enforcement Network (FinCEN) an arm of the Treasury Department. These SARs are a critical tool in law enforcement's investigative efforts, both at the state and federal level, as they can result in new investigations into hereto unknown criminal activity or provide critical information about ongoing investigations. Licensed money transfer companies also participate in public-private partnerships with law enforcement, to use their collective resources, tools, and intelligence to enhance criminal investigations chosen by the respective law enforcement agencies.

A tax on money transfers would not reduce the sale of illicit substances in the state of Ohio, but may encourage bad actors to use informal mechanisms to transfer related proceeds out of the state. A move to informal mechanisms would greatly reduce the transparency of money transfer transactions, negatively impacting law enforcement efforts not just within Ohio, but also in coordination with other states and at the federal level.

Expense Increase for Companies and Regulators.

MSBs are highly regulated entities at the Federal and State level that are designed to deliver safe and reliable products to consumers. The additional recordkeeping and payments would increase expenses and result in other reductions in services available or increase costs to the consumers.

The new fee-related processes would also add an administrative burden on those Ohio state government employees who would now have to track, record, and oversee the information.

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Summary.

Based on the foregoing concerns, we respectfully express our opposition to H.B. 451. The revenue projections from the tax would be reduced and would result in a reduction in money transmission

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transactions by consumers, the stoppage of this service by businesses due to the cost to implement the program and increased personnel costs at the Department of Financial Institutions.

Please do not hesitate to contact me should you have questions or concerns about this issue and the impact the proposed legislation would have on Ohio's consumers, businesses, and law enforcement or if the MSBA can be of further assistance on this or any other matter.

Sincerely,

Kathy Tomasofsky

Kathy Tomasofsky

Executive Director

Money Services Business Association, Inc.