Ohio House Ways and Means Committee
House Bill 451 – Opposition Testimony
The Money Services Round Table
June 4, 2024

Chairman Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the House Ways and Means Committee, thank you for the opportunity to testify in opposition to House Bill 451. My name is Adam Fleisher, and I serve as counsel for The Money Services Round Table ("TMSRT"), which is comprised of the leading non-bank money transmitters, including Western Union, MoneyGram, American Express, and RIA.

HB 451 would impose a tax of 7% on funds transfers abroad facilitated by a licensed money transmitter or the licensee's authorized delegate in Ohio.[1] The legislation does not cap the amount of the tax and the burden could be very significant for larger funds transfers, such as for payments made by Ohio businesses to payees outside of the United States. The stated purpose of the tax is "[t]o provide revenue for local law enforcement."[2]

TMSRT opposes this tax for the following reasons:

- **It will harm local businesses.** Many licensed money transmitters, including TMSRT members, offer services through a network of retail agent locations such as convenience stores, grocers, pharmacies, and other small businesses. The tax will make money transfer services offered through Ohio businesses more expensive and discourage the use of these services. These businesses will lose revenues as customers turn to alternatives, such as banks, for these needs. And they will face higher costs of compliance as a result of needing to manage the physical signage requirements that would be imposed as part of the law. Additionally, Ohio businesses that rely on money transmission companies for their payments needs will also face added costs in paying suppliers and others, which will make a challenging business climate even more difficult. Businesses, particularly small businesses, frequently use bill pay services and other providers licensed as money transmitters to pay suppliers, domestically and internationally. Even with the claimable tax credit (and the burden of making these payments and then waiting up to 15 months or more to get the money back), the $2,000 per year tax credit cap plus the uncapped tax on money transmissions could potentially result in Ohio businesses facing a significant amount in new taxes for using money transmission services.

- **It will harm consumers.** The tax would significantly increase the cost of money transmission services for Ohio residents. Individual customers will be harmed by the burden of an added cost of sending money to family or friends, including for high-dollar transactions such as paying for college abroad. Transactions such as paying for college abroad could also incur significant fees which exceed the refundable tax credit cap of $2,000, further harming consumers.

- **It can harm law enforcement efforts to prevent and detect money laundering.** The tax risks distorting customer behaviors as Ohio residents seek to mitigate its impact. It may therefore also harm law enforcement efforts to prevent and detect money laundering.[3] The costs imposed by the new tax may encourage Ohio residents to turn to unregulated and unmonitored channels to transmit their money. Licensed money transmitters are subject to extensive oversight by state and federal authorities, and must comply with detailed transaction recordkeeping and reporting requirements,

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[1] The tax would not apply to domestic funds transfers. Consumers would pay a 7% fee on each international remittance, but could potentially claim a tax credit for such fees of up to $2,000 per year.
[2] In addition to the concerns raised herein, TMSRT also notes that, to the extent that the legislation is structured to target a certain class of individuals—and imposes taxes on such individuals specifically—such targeting could raise significant constitutional issues. Further, the legislative analysis for this bill suggests that the tax "may raise questions under the Foreign Commerce Clause of the U.S. Constitution." Whether the bill's discrimination is demonstrably justified by a valid factor unrelated to economic protectionism would likely be litigated, resulting in additional taxpayer expense.
[3] In Louisiana, where a similar remittance tax was proposed (but not passed), the fiscal note warned that "[i]t is also possible that a tax levy may induce some money transmission to attempt to circumvent the currently licensed network and mechanisms . . ." See MONIQUE APPEANING, LA. LEGIS. FISCAL OFFICE, HB 539 (2021) FISCAL NOTE (2021).

as well as strict anti-terrorism and anti-money laundering laws and regulations. In fact, the Federal Bureau of Investigation recently released an alert warning Americans to avoid using money transmitting services which are not registered as Money Services Businesses.[4] Any international remittance tax could hamper law enforcement's efforts to counter crime, money laundering, and foreign terrorism funding by shifting activity away from licensed and regulated money transmitters.

- **The tax credit mechanism is flawed and will fail to fully refund eligible taxpayers.** Evidence from other states suggests that eligible consumers may not receive the tax credits for which they are eligible. In Oklahoma, which is the only U.S. state that has imposed a tax on money transmission transactions, consumers failed to claim 99.6% of remittance fees tax credits. For example, just 393 Oklahoma taxpayers successfully claimed a remittance tax credit in 2018.[5] For all intents and purposes, whatever it is called and whatever the intent, a 7% fee on money transmissions from a customer in Ohio to a person outside of the U.S. will be a huge tax increase on Ohio families and businesses.

- **It favors other financial institutions.** The tax would be imposed only on licensed money transmitters and not on other financial institutions in Ohio that provide similar cross-border funds transfer services, such as banks.

As a final matter, we note that the Conference of State Bank Supervisors ("CSBS") has undertaken efforts to harmonize regulation of money transmitters based on a single set of nationwide standards and requirements known as the "Model Money Transmission Modernization Act." As CSBS explains, a "common regulatory baseline across the country is a crucial step in advancing multistate harmonization in the money transmission industry, as states will be better able to work together in the licensing, regulation and supervision of money transmitters operating across state lines." Statutory and regulatory harmonization on a state-by-state basis can enable more consistent oversight and regulation of money transmitters by state banking departments.

The CSBS model language does not include taxes on money transmission services or quarterly reporting requirements relating to a tax levied on money transmission. Therefore, the adoption of this tax and the related posting and reporting obligations would be inconsistent with state efforts to harmonize regulation of money transmission services.

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Licensed money transmitters provide consumers with a safe and reliable way to send money to family and friends, pay bills, and obtain other financial services. Those who use and benefit from these services—both directly and indirectly—will be harmed by this tax. Like any other significant tax increase, this tax will negatively affect Ohio businesses and consumers, depress consumption, and distort behaviors.

Chairman Roemer and members of the House Ways and Means Committee, in light of the concerns discussed herein, we believe H.B. 451 should not be adopted. On behalf of TMSRT, I thank you for taking the time to consider these issues, and would be happy to discuss them further or address any questions you may have.

Adam

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[4] See Fed. Bureau of Investigation, I-042524-PSA, Alert on Cryptocurrency Money Services Businesses (2024).
[5] Data computed from Oklahoma's 2018 Tax Year. See Okla. Tax Commission, Annual Report of the Oklahoma Tax Commission, at 40 (2019) and Gov. J. Kevin Stitt, Okla. Office of Management & Enterprise Services, FY 2023 Executive Budget at 637 (2022).