

February 20, 2018

Chairman Ron Stephens
The Ways & Means Subcommittee on Public Finance and Policy
133 State Capitol
Atlanta, Georgia 30334

Dear Chairman Stephens,

On behalf of our membership, we would like to express opposition to H.B. 66, which amends the Georgia Code, to impose fees on money transmission transactions in the state of Georgia. If enacted, H.B. 66 would be harmful to consumers, Georgia businesses, and law enforcement. The Electronic Transactions Association (“ETA”) is the leading international trade association for the payments industry, representing more than 500 companies that offer electronic transaction processing products and services. ETA’s members include financial institutions, payment processors, and licensed money transmitters.

Bill Overview

If implemented, H.B. 66 would impose a fee on “money transmission transactions” of \$10 for each money transmission up to \$500 and 2% of the amount of the money transmission for each money transmission transaction over \$500. Those fees would be collected by money transmitters and remitted to the state. In addition to collecting the fees money transmitters would also be required to provide notice to consumers of how to obtain a state tax credit.

The bill offers ways for resident consumers to get a tax credit against these fees, but the mechanism for which resident consumers would apply for these credits is overly cumbersome. The tax credit does not alleviate the outsized burden of having to wait as long as a year to receive any tax credit for fees paid, during which time, the consumer would not have access to their money to pay their bills and would in essence be providing the state of Georgia with an interest free loan. Additionally, the non-residents of the state and those who do not pay income tax, would have no mechanism to recoup their fees.

The Harmful Effects H.B. 66

Consumers count on money transmitters for a number of services including, but not limited to, online and app-based peer-to-peer transfers, domestic and international remittances, stored value (prepaid) cards, and other devices which can serve as a substitute or supplement for holding funds in a bank checking account. Over one-quarter of U.S. households use non-bank financial institutions, including money transmitters.¹ Many consumers use these services as integral parts of their daily lives and additional fees can quickly erode limited funds for consumers who may not be able to afford waiting a year to recoup those expenses. Additionally, many prepaid card

¹ United States Department of Treasury, National Money Laundering Risk Assessment, June 12, 2015.

[https://www.treasury.gov/resource-](https://www.treasury.gov/resource-center/terroristillicitfinance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20-%2006-12-2015.pdf)

[center/terroristillicitfinance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20-%2006-12-2015.pdf](https://www.treasury.gov/resource-center/terroristillicitfinance/Documents/National%20Money%20Laundering%20Risk%20Assessment%20-%2006-12-2015.pdf).

providers are required to be licensed as money transmitters for purposes of reloading cards. This bill would have an enormous effect on growing the unbanked and underbanked population in Georgia. For example, HB 66 would require a Georgia citizen to pay \$10 (or more) for the privilege of loading their own funds onto their own prepaid card. That person would then be required to maintain the receipt from that transaction and seek a refund at some point in the future. This represents an unacceptable burden on Georgia citizens who lack access to traditional financial products, or who choose to use prepaid cards as their financial instrument of choice

This bill represents a significant tax on money transmission transactions, which will make these services more expensive and disproportionately harm a segment of the Georgia population which may be less able to absorb added costs. Many consumers who use money transmission services come from modest means and the ability to afford tying up their taxes for as long as a year may stretch budgets and cause significant hardship. This fee is likely to add up quickly for those who use wire services or peer to peer payment platforms routinely.

The fee is an obstacle for innovation as well. New and innovative offerings such as mobile based peer-to-peer payment applications are often offered for no cost. These applications are often used to send small amounts of money between consumers. If this bill to pass, the requirement to include a \$5 fee would be detrimental to the service offered to consumers.

This bill would harm those residents who do not pay state income tax such as retirees or students who attend college in Georgia. For non-residents and those Georgia residents who do not owe state income taxes but who wish to obtain a refund for the fees required by this bill, there is no mechanism for reimbursement. For those Georgia residents who do pay state income taxes and who wish to obtain a refund for the fees required by this bill, the requirement to hold receipts for up to a year is likely to dissuade many consumers from obtaining the refund.

Current Regulatory Framework Is Sufficient

Federal and state law already provide an extensive regulatory framework designed to root-out and stop money laundering as well as document individuals who use money transmitters and ensure those records are preserved for use by law enforcement as necessary. On the federal level, the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.* and its implementing regulations 31 C.F.R. Chapter X, requires money transmitters to register with the Financial Crimes Enforcement Network (“FinCEN”), and have effective anti-money laundering compliance programs in place including maintaining records of customer identity for certain funds transfers of \$3,000 or more.² Additionally, money transmitters must also file Suspicious Activity Reports (“SARs”) with FinCEN for transactions which are conducted or attempted, at or through the money transmitter, and which involves or aggregates funds or assets of \$2,000 or more and the money transmitter knows, suspects, or has reason to suspect that the transaction is suspicious³ and file Currency Transaction Reports (“CTRs”) for transactions involving more than \$10,000 in cash⁴.

² See 31 C.F.R. § 1010.410(e).

³ See 31 C.F.R. § 1022.320.

⁴ See 31 C.F.R. § 1022.330.

In addition to federal laws, Georgia has a robust state licensing program for money transmitters. Georgia's Department of Banking requires that money transmitter licensees make, keep, and preserve books, accounts, and records⁵ for a minimum of five years, enable regulators to view into money transmission transactions conducted by licensees, and enable licensees to work with law enforcement at all levels to help detect and prevent illegal and criminal activities from being facilitated by the use of money transmitters. Combined with the federal requirements, the formal money transmitting licensing system helps track money transmission activity.

If H.B. 66 were to be enacted, it is possible that many individuals could turn to more informal or unregulated networks which are unmonitored, thereby hampering the efforts of law enforcement to detect and prevent money laundering and terrorist financing.

Conclusion

As the trade association of the payments industry, ETA stands in opposition to H.B. 66, because, if enacted H.B. 66 would be harmful to consumers, Georgia businesses, and law enforcement. As such, the negative impact greatly dwarfs the benefits, if any, of such a fee.

We appreciate you taking the time to consider these important issues. If you have any questions or wish to discuss any issues, please contact me or Scott Talbott at Stalbott@electran.org. Thank you for the opportunity to comment on H.B. 66.

Respectfully submitted,



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Cc: Chairman Jay Powell, Ways & Means Committee
Members of the Ways & Means Committee

⁵ These records include: 1) A records of each payment instrument sold; 2) A general ledger which shall be posted at least monthly containing all assets, liabilities, capital, and income and expense accounts; 3) Settlement sheets received from authorized agents; 4) Bank statement and bank reconciliation records; 5) Records of outstanding payment instruments; 6) Records of each payment instrument paid; 7) A list of the names and addresses of all of the licensee's authorized agents; 8) A copy of all currency transaction reports that are required to be filed under federal law by the licensee; 9) For money transmitters, records of all money transmissions sent or received as well as all outstanding money transmissions. *Ga. Comp. R. & Regs. § 80-3-1-.01(10)*.