

February 12, 2025

The Honorable Will Ainsworth
President of the Alabama Senate
Alabama State Capitol

The Honorable Nathaniel Ledbetter
Speaker of the Alabama House
Alabama State Capitol

Re: Money Transmission Industry Opposition to Alabama SB 77

Dear President Ainsworth and Speaker Ledbetter,

On behalf the Electronic Transactions Association (ETA), the Money Services Business Association (MSBA), The Money Services Round Table (TMSRT), and the Financial Technology Association (FTA), we write to urge the Alabama legislature to not adopt SB 77.

Summary of Tax Legislation

SB 77, if enacted in its current form, would impose a tax of \$7.50 on “outgoing international electronic wire transfers” conducted by a licensed money transmitter in Alabama in the amount of \$500 or less. For any such transaction in excess of \$500, the money transmission business would be required to collect a tax of 1.5% of the transaction amount.¹ The legislation does not cap the amount of the tax.²

The tax would be required to be collected on an “electronic transfer of money via a network” but not on a transaction where “money debited is from an account held by the requester of a transfer of a banking institution.” It also appears to not include transactions where the requester of the transfer is a business entity.

Reasons for Opposition to Tax Legislation

For the reasons described herein, we oppose SB 77.

- **It favors other financial institutions.** The tax would be imposed only on licensed money transmitters and not on other financial institutions such as banks in Alabama that provide similar services involving cross-border funds transfers. Typically, funds transfer services provided by banks—if available at all—are more expensive, less convenient, and slower. A major tax on the use of nonbank money transmission services will operate as a *de facto* subsidy for banks by making their services relatively more price-competitive with money transmission services.
- **It will harm local businesses.** Many licensed money transmitters offer services through a network of retail agent locations such as convenience stores, grocers, pharmacies,

¹ The tax does not appear to apply to domestic funds transfers.

² Customers could potentially obtain a tax credit the following year, subject to certain conditions.

and other small businesses. The tax will make money transfer services offered through Alabama businesses more expensive and discourage the use of these services. These businesses will lose direct revenues associated with providing these services as customers turn to alternatives, such as banks, for these needs. They will also lose revenue from the drop in foot traffic as customers seek alternatives for funds transfer services.

Additionally, Alabama businesses that rely on licensed money transmission companies for their payments needs will 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. The imposition of an uncapped tax of 1.5% per cross-border payment could potentially result in Alabama businesses facing a massive tax increase based on long-standing business practices.³

- **It will harm consumers.** The tax has the potential to significantly increase the cost of money transmission services for Alabama residents. Individual customers will be harmed by the burden of an added cost of sending money to family or friends. And customers that use money transmission services to make high-dollar transfers, such as to pay for college abroad, will face exorbitant taxes. In all, like any substantial tax increase, SB 77 will significantly erode the spending power of Alabama residents.⁴ In addition, if we are reading the draft legislation correctly to exclude transactions funded via any type of account with a financial institution, the tax will further distort behavior by causing customers to fund transactions differently from preferred and more convenient methods.
- **It can harm law enforcement efforts to prevent and detect money laundering.** The tax risks distorting customer behaviors as Alabama residents seek to mitigate its impact (and not just because of the apparent carveout for transactions funded from an account). It may therefore also harm law enforcement efforts to prevent and detect money laundering.⁵ The costs imposed by the new tax may encourage Alabama 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, 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.⁶ Any international remittance tax could hamper law enforcement's efforts to counter crime, money laundering, and foreign terrorism funding by changing customer behaviors and shifting activity away from licensed and regulated money transmitters.

³ If the definition of an "electronic transfer of money via a network" is indeed intended to carve out from the tax cross-border funds transfer services provided by licensed money transmitters to businesses in Alabama, our other concerns set forth in this letter nonetheless remain. In addition, we are concerned about the confusing language of the draft and its potential to be interpreted broadly notwithstanding any intent.

⁴ The ability to obtain a nonrefundable tax credit up to 15 months later does not materially mitigate this tax burden. 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 tax credits on remittance taxes paid.

⁵ 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).

⁶ See FED. BUREAU OF INVESTIGATION, I-042524-PSA, ALERT ON CRYPTOCURRENCY MONEY SERVICES BUSINESSES (2024).

- **It disrupts efforts to harmonize money transmission regulation.** 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.” 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 reporting requirements relating to a tax levied on money transmission.

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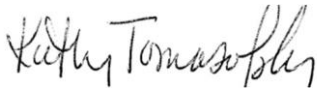
Licensed money transmitters provide consumers with a safe and reliable way to send money to family and friends, pay bills, and obtain other financial services. Those who use and benefit from these services—both directly and indirectly—will be harmed by this tax. Like any other significant tax increase,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

In light of the extensive concerns discussed herein, we believe SB 77 should not be adopted. We 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.

Respectfully submitted,



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