



August 15, 2025

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Betty Yates  
Assistant Director of Licensing  
Commissioner of Financial Regulation  
Betty.yates@maryland.gov

**Re: Support for Requiring Payroll Service Providers to be Licensed as Money Transmitters**

Dear Betty Yates,

I am writing on behalf of ADP to stress our strong support for Maryland’s continued licensing of payroll service providers as money transmitters. ADP is the nation’s largest provider of human capital management solutions supporting, among other things, HR, payroll, and benefits administration. ADP is uniquely positioned to understand the importance of regulating payroll service providers providing money transmitter services. ADP previously engaged with Maryland several years ago to highlight the importance of responsible regulations for payroll service providers as money transmitters, which Maryland agreed with based on the subsequent adoption of COMAR 09.03.14 regulations in 2023.<sup>1</sup>

Similar to ADP’s prior advocacy in support of adoption of money transmitter regulation for payroll service providers, we are advocating once again to ensure the existing regulations, under COMAR 09.03.14, remain in full effect with continued oversight and responsible regulations for payroll service providers as money transmitters. In some states that have adopted money transmitter regulation for payroll service providers, there have been subsequent efforts to remove payroll service providers from the scope of regulation. Exempting payroll service providers creates unnecessary risks for consumers, as evidenced by prior significant instances of fraud in the industry. In addition, if provided an exemption, payroll service providers would become the only industry specifically named as a money transmitter in the Money Transmission Modernization Act (MTMA) that is then exempted from money transmitter regulations – there simply is no rationale for this unwarranted exemption. Adoption of legislation or regulations to remove payroll service provider regulation, ironically, would place the interests of a small set of service providers (who are in need of responsible (and reasonable) oversight) ahead of the interests of the business community and their employees who are served by the payroll industry.

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<sup>1</sup> COMAR 09.03.14 is based on the Money Transmission Modernization Act (MTMA) issued by the Conference of State Bank Supervisors (CSBS). This Money Transmitter model law “aims to replace 50 sets of state-specific money transmitter laws and rules with one single set of nationwide standards and requirements created by state and industry experts.” CSBS, “CSBS Releases Model for the Future of Payments Regulation,” Sept. 9, 2021. Available at <https://www.csbs.org/newsroom/csbs-releases-model-future-payments-regulation>.

To our knowledge, a subset of payroll service providers represents the only group seeking an exemption from this sensible regulatory oversight and framework despite the fact that the MTMA applies broadly to all transmitters – this seems ironic to us. There is no comparable carveout in the statute for any other specified money transmitter, nor is there a clear rationale for treating payroll providers differently. If anything, the trust that small businesses place in their payroll providers should demand greater regulatory scrutiny, not less.

### **How an exemption for payroll service providers could increase fraud risk**

Excluding payroll processing services from the previously adopted COMAR 09.03.14 regulations would create unnecessary and meaningful fraud and consumer protection risk. Even small payroll companies can handle large volumes of funds—wages, taxes, and benefits—on behalf of businesses. Without appropriate and responsible oversight, the risks for mismanagement or theft increase, which could adversely impact both companies and their employees.

There have been multiple cases where payroll providers stole client funds, causing their clients (the businesses responsible for paying the monies) to disburse payroll and benefits funds twice and employees to have their direct deposit paychecks reversed and bank accounts overdrawn. Payroll provider fraud and theft results in workers not being able to pay for their mortgage/rent, bills, groceries, and childcare, particularly for those who may live paycheck to paycheck. For businesses, these cases of fraud are devastating and have prevented employers from paying wages, benefits, and taxes of Maryland, with some impacted companies having to take out lines of credit, lay off workers, and even file for bankruptcy after suffering significant financial losses. Active regulatory oversight helps prevent fraud and protects employers and employees. Recent examples of significant fraud cases throughout the US resulted in hundreds of millions of dollars of losses to small businesses that trusted and relied on payroll service providers to handle their funds and remit payments for payroll, tax, and other obligations. See [Annex I](#) attached to this letter for examples of payroll service provider fraud cases.

Many small businesses rely on payroll service providers to calculate payroll and keep them informed of important compliance requirements. However, because of their unfamiliarity with these requirements, small businesses are often not aware of the need to conduct a thorough due diligence of a prospective payroll service provider or the best way to accomplish such a review. Because of this, small businesses are uniquely susceptible to fraud by payroll service providers. Payroll service provider fraud and misconduct have a devastating impact on small businesses, since employers remain responsible for paying those taxes to the relevant federal, state, or local tax authorities. The MTMA includes multiple protections that can help prevent this type of financial harm to employers, including the many small businesses who rely on such firms, and to the state itself. Credit checks and criminal background checks required as part of the MTMA licensing process can identify individuals who present a heightened risk of fraud, and the MTMA requirements to maintain specified net worth and liquidity ensure that licensees can cover their financial obligations. The MTMA also provides regulators with authority to conduct examinations of licensees, which can prevent or minimize financial losses.

### **Why regulation is necessary**

The need for clear, consistent regulatory standards to prevent fraud is well-documented (as detailed above). That is why ADP previously advocated for Maryland to adopt the full MTMA, and we supported Maryland's decision to implement this framework in 2023.

Maryland's existing money transmitter regulation includes payroll processing services within the

definition of “money transmission,” a provision that protects Maryland businesses and enables proper and effective oversight and accountability for payroll providers. Money transmitters are companies that receive, hold, and/or send money for customers. Payroll firms that handle client funds clearly fall within this definition. In arguing for an exception, some payroll service providers have maintained that they are already subject to sufficient oversight and regulation. While payroll providers may be subject to other legal requirements, none of those requirements are focused on identifying the risk of payroll provider fraud, misconduct, and misappropriation of funds. To directly address and correct their arguments, we note that:

- While the Internal Revenue Service (IRS) requires payroll providers to be authorized as Reporting Agents to submit payroll taxes, the authorization does not include oversight, regulation, or enforcement of those payments. The IRS currently has an online system<sup>2</sup> that allows employers to confirm that expected payments have been made to the IRS. However, an employer would need to be knowledgeable about IRS filings to know that they can obtain this confirmation. In addition, this level of visibility into tax filings and payments is not available in all states and localities.
- While Know Your Customer (KYC) requirements help financial institutions understand who their client is along with the associated risks of that potential relationship, including from a money laundering and terrorist financing perspective, it will not protect clients and their employees from misappropriation of funds by a fraudulent payroll service provider.
- NACHA rules govern the ACH network that facilitates direct deposits and direct payments, ensuring that electronic payments are “smart, safe and fast.” Although the rules address some mechanisms for the detection and return of potentially fraudulent transactions, they are not designed to identify and affirmatively investigate misappropriation of client payroll funds by a service provider that happens to use the ACH network.

State oversight, as provided under the MTMA, helps prevent financial harm to small businesses who rely on payroll providers to make required tax deposits and tax information filings to federal and state and local governments.

## Conclusion

As the largest provider of payroll and human capital management solutions, ADP takes the responsibility that comes with our industry position seriously. We are committed to protecting the integrity of the payroll industry and the financial security of the businesses and employees our industry serves. This responsibility is why we have consistently supported appropriate regulation, and it is why we continue to take action to ensure that bad actors cannot undermine trust in our industry. Weakening or eliminating money transmitter oversight for payroll providers would open the door to increased risk, and we believe it is incumbent on industry leaders like ADP to speak out and advocate for maintaining strong safeguards.

ADP’s money movement activities are overseen by the federal Office of the Comptroller of the Currency,<sup>3</sup> and based on our experience with such regulatory oversight and understanding of the industry, we are supportive of the MTMA coverage of payroll processing services and oppose any attempts to exempt them from oversight as a money transmitter. Smaller or local payroll providers may raise the burden presented by compliance requirements, however, the MTMA was intentionally designed to provide state regulators with discretion in how licensing standards, fees,

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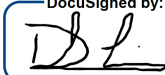
<sup>2</sup> The Electronic Federal Tax Payment System, or EFTPS.

<sup>3</sup> <https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2020/int1167.pdf>.

and requirements are implemented. This flexibility enables states to scale regulatory expectations in a manner that accounts for a business's size, risk profile, and resources – including waiving or adjusting fees for smaller payroll processing services. Preserving MTMA coverage while utilizing these tools strikes the right balance between protecting small business employers and employees, and ensuring regulatory requirements are fair and appropriately tailored across the industry. In any event, any actual or perceived burden on payroll service providers' compliance with reasonable regulations is far outweighed by the risks to employers and employees if there is insufficient regulatory oversight and controls leading to the next payroll provider fraud, causing millions of dollars in damages, putting clients out of business and preventing employees from getting paid on time and in full.

For these reasons, we respectfully urge you to oppose any efforts to exempt payroll service providers from regulation as money transmitters. Thank you for your commitment to protecting Maryland's businesses and for your attention to this important matter.

Sincerely,

DocuSigned by:  
  
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Daniel R. Lewis

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Cc: The Honorable Wes Moore, Governor of Maryland, via Amanda S. LaForge, Chief Counsel,  
[amanda.laforge@maryland.gov](mailto:amanda.laforge@maryland.gov)  
The Honorable David Moon, House Majority Leader, [David.moon@house.state.md.us](mailto:David.moon@house.state.md.us)  
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The Honorable Anthony G. Brown, Attorney General of Maryland, via portal  
The Honorable Dereck E. David, State Treasurer of Maryland,  
[treasurer@treasurer.state.md.us](mailto:treasurer@treasurer.state.md.us)

## Annex I: Payroll Service Provider Fraud Cases

### Florida

- “Payroll Services Company Owner Sentenced to Prison” – April 2025: <https://www.justice.gov/opa/pr/payroll-services-company-owner-sentenced-prison>

### Maryland

- “Payroll Service Company Owners Sentenced to Prison for Stealing Money Set Aside by Clients to Pay Federal and State Taxes” – May 2016: <https://www.justice.gov/usao-md/pr/payroll-service-company-owners-sentenced-prison-stealing-money-set-aside-clients-pay>

### Minnesota

- “Tower Woman Sentenced to Prison for Embezzling Over \$300K From Clients” – February 2025: <https://www.justice.gov/usao-mn/pr/tower-woman-sentenced-prison-embezzling-over-300k-clients>

### Missouri

- “Moresource Owner Pleads Guilty to Defrauding Dozens of Columbia Businesses” – May 2025: [https://www.columbiamissourian.com/news/local/moresource-owner-pleads-guilty-to-defrauding-dozens-of-columbia-businesses/article\\_43030dd8-6dd2-4799-b476-736fd3ed8de4.html](https://www.columbiamissourian.com/news/local/moresource-owner-pleads-guilty-to-defrauding-dozens-of-columbia-businesses/article_43030dd8-6dd2-4799-b476-736fd3ed8de4.html)

### New York

- “ValueWise CEO Michael Mann Sentenced to 144 Months in Prison for \$100 Million Fraud” – August 2021: <https://www.justice.gov/usao-ndny/pr/valuedwise-ceo-michael-mann-sentenced-144-months-prison-100-million-fraud>

### Ohio/Indiana

- “Michigan Man Sentenced to Prison for Check-Kiting Scheme that Caused Loss of Nearly \$150 Million” – November 2023: <https://www.justice.gov/usao-ndoh/pr/michigan-man-sentenced-prison-check-kiting-scheme-caused-loss-nearly-150-million>

### Virginia

- “Owner of Blue Ridge Bookkeeping Sentenced for Wire and Tax Fraud” – July 2024: <https://www.justice.gov/usao-wdva/pr/owner-blue-ridge-bookkeeping-sentenced-wire-and-tax-fraud>
- “Federal jury convicts New York man for defrauding restaurant employees and COVID-19 relief program” – March 2024: <https://www.justice.gov/usao-edva/pr/federal-jury-convicts-new-york-man-defrauding-restaurant-employees-and-covid-19-relief>