



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**Sponsor Testimony - Request for Favorable Recommendation**  
**HB 118 – Maryland Money Transmission Act – Definition of Money**  
**Transmitter - Alteration**

Greetings Chair Beidle, Vice-Chair Hayes, and members of the Finance Committee,

HB 118 provides clarifying language to distinguish Payroll Providers from Money Transmitters. Maryland is one of only a handful of states that categorize payroll processing companies as money transmitters. There are 44 other states that make this distinction.

For small Payroll Providers, the cost of compliance with Maryland's Money Transmission Act is prohibitive, especially for most small payroll processing companies to comply. Often the cost of compliance for multi-state registration can exceed their annual revenue. Furthermore, compliance is an operational impracticality because payroll processors have no control over what states their customers open offices or where employees are located.

Payroll providers are essential for ensuring businesses comply with complex tax regulations, avoid costly penalties, and process employee payments accurately and on time. They automate tax filings (federal, state, local), manage deductions, and update payroll software to reflect changing labor laws. These services increase efficiency and free time for business owners.

Payroll processors are overseen by the banking industry through Nacha (National Automated Clearing House Association), the governing body of the ACH network that processes payroll. The IRS also provides oversight through its mandate reporting requirements.

This bill passed out of the Economic Matters Committee (17-0) and the House of Delegates (136-0) by unanimous support.

Cordially,

A handwritten signature in cursive script, appearing to read 'Pamela E. Queen'.