

March 1, 2017



The Honorable Chip Baltimore  
Chairman, House Judiciary Committee  
Iowa House of Representatives  
1007 East Grand Avenue  
Des Moines, Iowa 50319

**Re: H.S.B 150 (Relating to Money Transfer Tax)**

Dear Chairman Baltimore:

Financial Innovation Now (“FIN”) writes to express its significant concerns regarding Iowa HSB 150, which would impose a one-percent fee on each “money transfer service transaction” originating in the state of Iowa.<sup>1</sup> FIN is an alliance of technology leaders working to modernize the way consumers and businesses manage money and conduct commerce. We believe that technological transformation will make financial services more accessible, safe and affordable for everyone, and we promote policies that enable these innovations.<sup>2</sup> HSB 150 would, however, disrupt this progress of modernization and risk stalling the technological transformations that are driving the future of online commerce and that benefit consumers and businesses everywhere, including in Iowa.

FIN believes that imposing a tax on all money transmission transactions would directly harm Iowa consumers and businesses by increasing the cost of conducting business in Iowa, especially online, and, therefore, would discourage innovation and depress economic activity in Iowa.<sup>3</sup> Innovative payments services and modern technology platforms are enabling entirely

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<sup>1</sup> HSB 150 defines a covered money transfer service transaction to include a transmission of money by any means, domestic or international, using technologies including electronic funds transfer or wire transfer, or using products including payment instruments such as stored value/prepaid access devices and other new and innovative mechanisms for receiving, storing and accessing funds that are regulated as “payment instruments” or money transmission.

<sup>2</sup> FIN member companies include Amazon, Apple, Google, Intuit and PayPal. For more information regarding FIN’s policy priorities and principles, please visit [www.financialinnovationnow.org](http://www.financialinnovationnow.org).

<sup>3</sup> While HSB 150 contemplates that consumers could obtain a credit for the amount of fees paid upon filing an individual Iowa income tax return with a valid taxpayer identification number, consumers would nonetheless have to

new ways for consumers to receive, store and transmit funds, including by offering mechanisms for consumers to pay for goods and services without having to rely on cash or on traditional bank-issued products such as credit cards or debit cards linked to a bank checking account. These new services provide substantial benefits to consumers, businesses, and the broader economy. This bill, however, would stymie these innovations in financial services that have the potential to greatly improve how consumers and businesses of all sizes conduct commerce.

Currently, many providers of payment services that enable innovative financial services transactions are regulated as money transmitters and their customers would be subject to this tax. The types of transactions impacted would include digital wallets that can be used at the point of sale or for online transactions, online payments including bill payments made using a money transmitter's services (which enables the unbanked to have access to the online economy), person-to-person funds transmissions (for everything from paying the babysitter to sharing the cost of a meal), and the loading of funds or the purchase of a stored value device such as a gift card. Each of these services is driven by technology that is creating a more convenient, efficient, and secure future of commerce. Each of these services is an example of how modern technology is overcoming barriers to financial services and financial inclusion. And, each of these services would be subject to a tax each time they are used, discouraging their use, harming the people that rely on these services (especially those of modest means), and discouraging future innovation.

Furthermore, payments services offered by licensed money transmitters are regulated by (among others) the Iowa Division of Banking, which helps ensure that consumers' funds are appropriately protected just as they would be when handled by depository financial institutions. But HSB 150 would discriminate against services offered by non-bank financial institutions by taxing their offerings but not the same or similar financial products and services offered by banks. That is, the legislation favors banks at the expense of licensed money transmitters and consumers who are increasingly relying on their services and would effectively levy a tax on financial services innovation.

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pay the tax at the time of each transaction and would not receive the money back until up to more than a year later, if at all. Furthermore, we note that the credit would not be available to individuals that do not file Iowa income tax returns, such as out-of-state college students, and that offering a credit without a mechanism to validate eligibility could create a situation that fraudulent actors might exploit.

Indeed, the payments options money transmitter licensees may be able to offer to businesses, including small businesses, can serve as an alternative to accepting payment by credit card or debit card, which can help these businesses process transactions in a more cost-effective manner while also providing consumers with additional choices and alternative methods for making easy and convenient payments. Businesses that have adopted these payments methods would be harmed by the disruption to their business models, the increased costs their consumers would face when using these payments methods, and the inability to offer Iowa consumers the same online experience as consumers in all other U.S. states.

Modern technology and innovative financial services companies are knocking down barriers to financial services access and facilitating better, faster and safer payments mechanisms that are directly benefiting consumers and businesses. Iowa HSB 150, if enacted, would impose a tax on these payments services, which would depress this economic activity and discourage innovation. We respectfully suggest that this legislation be reconsidered because it will, ultimately, resurrect the barriers to financial inclusion and financial innovation that our members, along with many other non-bank enterprises, are working to eliminate to the benefit of Iowa residents and Iowa businesses.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Peters", with a stylized flourish at the end.

Brian Peters, Executive Director  
Financial Innovation Now  
1155 F Street, NW  
Washington, DC 20004  
info@financialinnovationnow.org