June 3, 2025

Robin Imbrogno, SPHR, SHRM-SCP
Chair, Government Affairs
The Payroll Group
1 Glenlake Parkway, Suite 1200
Atlanta, GA 30328
robin@hr-consulting-group.com

Re: In support of excluding payroll providers from money transmitter laws

Dear Robin:

PayrollOrg agrees with The Payroll Group that payroll providers should not be classified as money transmitters. Money transmitters facilitate a broad spectrum of money movements between senders and recipients, including business payments. Payroll providers do not facilitate the movement of money. Instead, they specialize in managing transactional payments between their employer clients and employees, employers and third-party benefit companies, and employers and government entities, which defines them as payment processors not money transmitters.

About PayrollOrg

PayrollOrg is a nonpartisan, nonpolitical association representing over 20,000 payroll professionals who manage the payroll function for employers of all sizes and industries across the U.S. PayrollOrg is dedicated to advancing the payroll industry through education, advocacy, networking, and collaboration. PayrollOrg's Government Relations Task Force provides payroll professionals with the opportunity to partner with government to create efficiencies, open doors to new technologies, and provide opportunities for professional growth.

Explanation of Position

Agreements for Money Transmitter Services Versus Payroll Services. In money transmitter services, the transmitter is in the business of receiving money from a payer under an agreement to send the money to a recipient (e.g., sending money to a relative, paying for a product, etc.). Payroll providers do not form agreements with employers or employees to send money. Instead, they form agreements with employers to calculate employee wages in accordance with employer decisions and compliance with applicable federal, state, and local laws and regulations. As part of the employer-employee relationship, once wage amounts are determined, employers' financial institutions are given instructions regarding distribution to employees or employers' payroll funds go to payroll providers to distribute to employees. Payroll providers also offer services for processing garnishments, child support, employment taxes, and other legal withholding, none of which apply to money transmitter requirements.

Possession of Funds. Money transmitter laws focus on the entities that have possession of funds for general use or profit. According to the U.S. Department of the Treasury, the federal "money services business" law applies to persons in the money transmitter business. Payroll providers temporarily hold the funds of employers for the sole purpose of distributing wages, benefits, employment taxes, and other legal withholding. They are not in the money transmission business. They do not issue, sell, and redeem money orders, cash checks, or exchange currency.

Crime Prevention. Money transmitter laws are designed to prevent money laundering, financial terrorism, bribery, and fraud through licensing and government oversight. Payroll processing, whether managed internally or outsourced, is already subject to extensive oversight laws and regulations to prevent crime. Payroll processors must comply with federal and state employment tax laws, wage and hour requirements, financial institution and banking laws, benefit mandates, anti-trust restrictions, and consumer protection and privacy laws. These laws include extensive transparency provisions with multiple reporting requirements to government agencies.

To discuss payroll management and these comments, please contact Alice Jacobsohn at 202-669-4001 or ajacobsohn@payroll.org.

Sincerely,

Alice P. Jacobsohn

Alice P. Jacobsohn, Esq.
Director, Government Relations

For: Government Relations Task Force
Federal Issues Subcommittee
Cochairs Rebecca Harshberger, CPP; Mindy Mayo, CPP; and Jon Schausten, CPP

State and Local Topics Subcommittee
Cochairs Carlanna Livingstone, CPP; Bruce Phipps, CPP; and Alma Stewart, CPP