

**Department of Legislative Services**  
Maryland General Assembly  
2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 118  
Economic Matters

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**Maryland Money Transmission Act - Definition of Money Transmitter - Alteration**

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This bill excludes specified payroll processors from the definition of “money transmitter” under the Maryland Money Transmission Act.

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**Fiscal Summary**

**State Effect:** Special fund revenues for the Maryland Department of Labor (MD Labor) decrease by \$6,000 annually beginning in FY 2027 from lost licensing fees.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)
Expenditure	0	0	0	0	0
Net Effect	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)	(\$6,000)

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill does not materially affect local government operations or finances.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** A designated agent of a payor who provides payroll processing services is excluded from the definition of a money transmitter if:

- there is a written agreement between the payor and the agent that directs the agent to provide payroll processing services on the payor’s behalf;

- the payor holds the agent out to employees and other payees as providing payroll processing services on the payor's behalf; and
- the payor's obligation to a payee, including an employee or other party entitled to receive funds via the payroll processing services provided by the agent, is not extinguished if the agent fails to remit the funds to the payee.

## **Current Law:**

### *Money Transmitters*

“Money transmission” means engaging in the business of selling or issuing payment instruments or prepaid access or receiving currency, funds, or other value that substitutes for currency and transferring currency, funds, or other value that substitutes for currency to another person or a location within or outside the United States by any means, including electronically, through the Internet, through a mobile application, through a network of persons, or through an informal value transfer system. “Money transmission” includes any other activity that the commissioner identifies as money transmission by regulation.

A “money transmitter” is a person who engages in money transmission that is required to be licensed by the Office of Financial Regulation (OFR). A money transmitter includes a bill payer service and an accelerated mortgage payment service.

To qualify for a money transmitter license, an applicant must satisfy OFR that the applicant (1) is of good moral character and has sufficient financial responsibility, business experience, and general fitness to engage in the business of money transmission and (2) has a certain net worth. An applicant must pay a \$2,000 annual licensing fee. New applicants must also pay a \$1,000 investigation fee and meet certain bonding requirements. Fees are paid to the Nondepository Special Fund administered by OFR.

### *Powers of the Commissioner*

OFR regulates State-chartered and State-licensed financial institutions operating in Maryland. These include depository institutions such as Maryland-chartered banks, trust companies, bank holding companies, and credit unions, as well as nondepository entities such as money transmitters, check cashers, consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, debt settlement services providers, consumer reporting agencies, and collection agencies.

**State Revenues:** MD Labor advises that there are 10 companies currently licensed as payroll processors, but 7 provide money transmission services besides payroll services. The provisions of the bill therefore cause 3 of those companies to no longer qualify as HB 118/ Page 2

money transmitters and subsequently no longer need their license. As a result, MD Labor loses \$6,000 in annual special fund licensing fee revenue. Licenses expire on December 31 each year, so the bill's October 1, 2026 effective date means that OFR loses licensing revenues beginning in fiscal 2027.

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## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2026  
jg/mcr

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