

Amy Miller
Senior Director, Government Affairs
ADP, Inc.
amy.miller@adp.com
610-742-2612

Representative Zack Fields, Co-Chair
Representative Carolyn Hall, Co-Chair
House Labor & Commerce Committee
Alaska State Legislature
State Capitol Room 124
Juneau, AK 99801

Dear Chairs Fields and Hall and Members of the House Labor & Commerce Committee,

I am writing to provide testimony to share ADP's opposition of HB 99 in its current form. ADP is the nation's largest provider of human capital management solutions supporting, among other things, HR, payroll, and benefits administration. We are uniquely positioned to understand the importance of the regulation of money transmitters.

ADP has fundamental concerns that HB 99, an amended version of the uniform Money Transmission Modernization Act (MTMA) issued by the Conference of State Bank Supervisors (CSBS), includes an exemption for payroll processing services,¹ with the result that payroll processing services operating in Alaska would not be regulated as money transmitters. ADP respectfully urges the committee to remove this exemption from HB 99 as payroll processing services clearly fall within the definition of a money transmitter.

Why does this matter?

Payroll companies handle large sums of money on behalf of businesses, paying employees, tax authorities, and benefit providers. This is a clear form of money transmission. Without proper oversight, businesses—and the state—face serious risks if these companies mishandle or misappropriate funds.

While payroll processors are authorized by the Internal Revenue Service (IRS) to submit payroll taxes, this authorization does not include oversight, regulation, or enforcement. State oversight, as provided under the MTMA, helps prevent financial harm to small businesses who rely on payroll providers (as IRS Reporting Agents) to, among other things, make required tax deposits and tax information filings to federal and state and local governments.

¹ See exemption for "payroll processing services" at AK HB 99 Sec. 06.55.802, item 18 (page 43, lines 5-15).

ADP is licensed and overseen by the federal Office of the Comptroller of the Currency,² and based on our experience with such regulatory oversight and understanding of the industry, we are supportive of the MTMA coverage of payroll service providers and oppose any attempts to exempt them from oversight as a money transmitter.

Why regulation is necessary

There have been notable cases where payroll providers misused client funds, even leaving businesses responsible for paying payroll and benefits twice. This can devastate small businesses that lack extra cash to cover unexpected costs. Active oversight helps prevent fraud and protects employers and employees. Several examples of significant fraud cases include: MyPayrollHR that resulted in losses of roughly \$100 million, Interlogic Outsourcing (IOI Payroll) that left a \$120 million shortfall, Edina Business Solutions, Inc. that embezzled over \$430,000 in small business clients' accounts to which they had access to for payroll processing purposes, and Elite Payroll that pocketed over \$22 million in withheld Social Security, Medicare, and federal income taxes from small businesses.

Conclusion

Payroll providers should not be exempt from money transmitter laws. Removing this exemption in HB 99 protects Alaska businesses and ensures proper and effective oversight and accountability for payroll providers, benefitting the industry as a whole. We strongly support adopting the MTMA without carving out payroll processing services.

Thank you for considering our position and for your commitment to protecting Alaska's businesses.

² <https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2020/int1167.pdf>