



Dear Governor Lee:

On behalf of a broad coalition of industry, financial services associations, and public policy organizations, we urge you to veto **House Bill 2502 (HB 2502)**. Our organizations' collective memberships encompass hundreds of companies engaging in money services and payments activity throughout the United States, including in Tennessee.

By broadening Tennessee's sales and use tax to include a \$10 minimum tax plus 2% of the amount of each cross-border payment in excess of \$500 processed by all licensed money transmitters (but not any other financial institutions) in Tennessee, HB 2502 imposes a new tax on lawful, affordable transfers used by individuals and families for everyday purposes. These transfers are typically funded with income that has already been taxed, and in some cases, may also be subject to federal remittance taxation through the One Big Beautiful Bill. Adding a state sales tax layer increases the cumulative burden on ordinary Tennesseans sending modest amounts to support family members, pay tuition or medical expenses, assist military relatives abroad, or fund religious and charitable activities.

The bill will harm small businesses and consumers. Many licensed money transmitters offer services through a network of retail agent locations such as grocery stores, pharmacies, and other small businesses. This bill would require them to collect, maintain records on and remit the tax while also complying with Tennessee's sales tax framework, adding cost and liability to already thin operating margins. By subjecting these transactions to Tennessee's general tax enforcement framework, HB 2502 increases audit and penalty risk for even inadvertent errors.

These increased operational costs could push some retailers to stop offering cross-border payment services altogether, reducing foot traffic and ancillary sales and ultimately decreasing state income and sales tax revenue. Small businesses may be disproportionately impacted, particularly those that send money on behalf of their business to pay vendors or employees

Beyond the burden placed on retailers and small businesses, the impact of HB 2502 extends directly to the everyday consumers who rely on these services. **HB 2502 applies to all senders** using regulated channels for legitimate, everyday reasons: military families supporting loved ones abroad; missionaries and faith-based workers; parents paying tuition or medical expenses; grandparents assisting relatives overseas.¹

For many working families and small businesses this will become a permanent surcharge.

Furthermore, as nationally acclaimed economist Stephen Moore cautioned during debate on the One Big Beautiful Bill Act, "*A tax on the legal transactions isn't the solution. This measure will only drive more financial transactions underground. It may therefore end up costing more money than it raises.*"² When formal

¹ These burdens and disruptions also raise constitutional questions given the negative impact on foreign commerce and discouraging the use of cross-border payments services providers. The Foreign Commerce Clause of the U.S. Constitution grants Congress, not the states, the power to "regulate Commerce with foreign Nations." Congress has exercised this power through a federal remittance tax. A state tax on the same activity can be seen as an effort to regulate the same international commercial activity already directly regulated by the federal government.

² Moore, Stephen. "Congress Should Just Say No To A Remittance Tax." Daily Caller, June 17, 2025.
<https://dailycaller.com/2025/06/17/opinion-congress-should-just-say-no-to-a-remittance-tax-stephen-moore/>

remittances become more expensive, many respond by turning to informal or unregulated alternatives, where there is little or no oversight. Once activity leaves the regulated system, law enforcement visibility is lost – as well as anticipated revenue

Licensed money transmitters provide law enforcement with audit trails and various reports, including on suspicious activity (SARs), in compliance with their Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) requirements. Informal networks provide none of these safeguards. Mandates that push users away from licensed providers directly reduce law enforcement visibility. The U.S. Government Accountability Office (GAO)³ found that similar legislation in Oklahoma led providers to experience lower transaction volumes and highlighted that such measures risk pushing transfers into “unregulated transfer methods” — directly undermining their intended purpose

For these reasons, we respectfully request that you veto HB 2502. We stand ready to work with your office, legislators, and regulators to help reach a shared understanding of the importance of this industry, the harmful effects of a remittance tax, and the objective of a safe and secure American payments system.

Sincerely,

The concerned organizations listed above.

³ U.S. Government Accountability Office, “International Remittances: Actions Needed to Address Unreliable Official U.S. Estimate,” GAO-16-60 (Washington, D.C.: January 2016), <https://www.gao.gov/products/GAO-16-60>