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April 14, 2026

VIA EMAIL

Senator Bo Watson, Chair  
Senator John Stevens, Vice Chair  
Senator Joey Hensley, Second Vice Chair  
Members, Senate Finance, Ways, and Means Committee  
Tennessee General Assembly

**Re: Testimony in Opposition to S.B. 2166**

Dear Chairman Watson, Vice Chair Stevens, Second Vice Chair Hensley, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I thank you for the opportunity to provide comments opposing S.B. 2166, which would impose the State’s sales tax on the transmission of money from a location originating in this state to a location outside of the United States or its territories by an entity licensed under the Money Transmission Modernization Act. While COST recognizes the Committee’s interest in identifying new and stable revenue sources for the specified funds, we respectfully urge caution with respect to this sales tax broadening proposal because it likely would apply more broadly than commonly understood, and would impose significant administrative and compliance burdens on both taxpayers and the Tennessee Department of Revenue, especially with online (internet) transfers where a sender’s actual location is unknown.

**About COST**

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business, many of which are incorporated and do business in Tennessee. COST’s objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities

**Sales Tax Imposition Creates Significant Administrative Burdens**

The proposed tax would apply to the act of transmitting money itself (an intangible transfer of money), rather than to the final consumption of goods or services. This represents a significant departure from traditional sales and use tax design principles and would place Tennessee unique position of experimenting with taxing payment activity and financial flows.

COST’s experience with new and novel transaction-based taxes demonstrates that such taxes often require extensive system changes, new transaction tracking, and manual workarounds that are difficult to implement consistently across large, automated payment, existing sales tax filing, and audit systems—burdens that are significant for both taxpayers and the Department of Revenue. It also raises sourcing issues, as the sourcing hierarchy used is based on the knowledge that a seller has from its customers. For transactions occurring online, over the internet, the seller often only knows its customers’ billing address. That sourcing, however, does not equate to a sender’s actual location being in Tennessee at the time of the transaction.<sup>1</sup>

### Sales Tax Administration Is Poorly Suited to This Tax

The COST Board of Directors has adopted a formal policy statement urging states to impose fair, efficient, and customer-focused tax administration. COST’s policy position is as follows:

Fair, efficient and customer-focused tax administration is critical to the effectiveness of our voluntary system of tax compliance. A burdensome, unfair, or otherwise biased administrative system negatively impacts tax compliance and hinders economic competitiveness.<sup>2</sup>

This proposal conflicts with that policy by layering a novel transaction-based tax on an intangible transfer of money to the State’s sales tax systems not designed to support it. The full sales tax compliance framework—registration, reporting, audit, penalty, and appeal provisions—would apply to a tax imposed on financial flows rather than retail transactions.

### Conclusion

COST respectfully opposes the proposed sales tax on international money transmission and urges the Committee to carefully consider whether this new and untested tax base imposition aligns with Tennessee’s long-standing sales tax principles. If additional revenue is required for the specified funds, we encourage the exploration of alternatives that do not impose disproportionate administrative burdens, extend beyond stated policy goals, or risk taxing routine business operations in unintended ways.

Respectfully,

*Mark B Holmes*

Mark B. Holmes

cc: COST Board of Directors

Patrick J. Reynolds, COST President & Executive Director

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<sup>1</sup> Tennessee, as an associate member of the Streamline Sales and Use Tax Agreement, would use the sourcing hierarchy under Section 310.A, which defaults to a purchaser’s billing address information if the purchaser’s actual location at the time of purchase is not known. The Agreement is available at:

[https://www.streamlinedsalestax.org/docs/default-source/agreement/ssuta/ssuta-as-amended-through-12-19-25-with-hyperlinks-and-compiler-notes-at-end.pdf?sfvrsn=9b7f2fdd\\_9](https://www.streamlinedsalestax.org/docs/default-source/agreement/ssuta/ssuta-as-amended-through-12-19-25-with-hyperlinks-and-compiler-notes-at-end.pdf?sfvrsn=9b7f2fdd_9).

<sup>2</sup> COST’s Fair, Efficient, and Customer-Focused Tax Administration policy is available at:

<https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fair-efficient-and-customer-focused-tax-administration---revised-feb-2024---final.pdf>