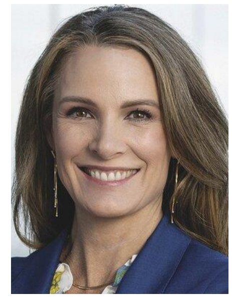
What Money Transmitters Need To Know About New Colo. Law

By **Sarah Auchterlonie and Joel Herberman** (June 17, 2025)



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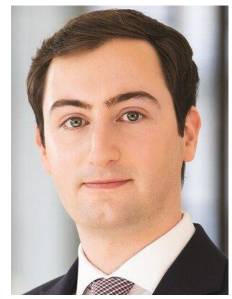

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On April 18, Colorado joined a growing list of states that have enacted the Money Transmission Modernization Act, which repeals and replaces the state's previous Money Transmitters Act.[1] The law updates standards for the licensing, supervision and regulation of money transmitters while codifying an agent-to-payee exemption.

Colorado is among 31 states that have enacted the model legislation in full or in part. This is another step toward standardizing money transmission rules across state governments. The enactment of the law comes amid an effort to tax remittances at the federal level — potentially increasing compliance burdens for money transmitters across the country.

Nationwide MTMA Efforts

The Model Money Transmission Modernization Act was developed by the Conference of State Bank Supervisors with input from a working group of regulators and industry participants through the Fintech Industry Advisory Panel.[2]

The MTMA allows for multistate licensing and multistate supervision, seeking to harmonize and unify the existing patchwork of money transmission state regulation.

Additionally, the MTMA standardizes:

- Definitions applicable to money transmitters, removing technical differences between states that make compliance difficult for companies operating in multiple states;
- Exemptions from money transmitter licensing to promote consistency among states;
- The licensing process, including standardized determinations of who is in control of a licensee and the vetting process; and
- Safety and soundness requirements, including net worth, bonding and permissible investments.

Thirty-one states have fully or partially adopted MTMA legislation. The Conference of State Bank Supervisors aims to have all 50 states fully adopt the MTMA in order for the uniform regulatory framework to work as intended. The CSBS, state regulators and industry participants are continuing to push the remaining states to pass the MTMA through their state legislatures.

Colorado's MTMA

The law largely reflects the CSBS MTMA by repealing and replacing the former money transmitter law to include updated definitions of regulated activities, including payroll processing and digital money transmission. The law enables Colorado to participate in multistate licensing initiatives and allows for money transmitter supervisors to rely on reports and examinations from other accredited states.

The law importantly codifies the agent-to-payee exemption, exempting certain intermediaries acting on behalf of payees from licensing requirements. Licensees are also required to transfer funds in a timely manner, provide receipts with specific transaction details and offer refunds under certain conditions. The Colorado bill defers most enforcement powers to the State Banking Board under existing state banking law.

Colorado's newly enacted law also substantially increases the surety bond minimums for money transmitters from $100,000 in the CSBS model legislation to $250,000, while maximum bond requirements doubled from $500,000 in the CSBS legislation to $1 million. The model law retains applicants' ability to request a reduced surety bond amount based on a lower average daily transmission liability.

The Colorado law notably excludes the provisions in the CSBS MTMA legislation that address virtual currency. Within the model legislation, engaging in "virtual currency business activity" — such as issuing, selling or receiving virtual currency for transmission — is deemed money transmission, subject to licensing and regulatory requirements. Colorado's regulation of virtual currency transmission remains tied to whether virtual currency is converted into fiat currency, typically U.S. dollars.

Additionally, the law includes a sunset provision that requires an automatic repeal of the statute on Sept. 1, 2030, with a mandatory legislative review required before the sunset. The sunset is a common feature in Colorado financial services laws and not reflective of any specific views about the MTMA.

Agent-to-Payee Exemption

The Colorado MTMA law's agent-of-the-payee exemption under Section 11-110-301(b) allows intermediaries to collect payments on behalf of merchants without requiring a money transmitter license, provided three conditions are met.

1. A formal contract must exist between the merchant payee and agent, explicitly authorizing the agent to collect and process payments.

2. The payee must publicly identify the agent as its authorized payment processor through avenues such as website terms, signage or transaction receipts.

3. The payer's obligation is legally ended upon payment to the agent, shifting liability to the payee if the agent fails to remit payments.

The exemption applies only to transactions for goods and services — not pure money transmission activities. Typical entities that claim the exemption in other states include online marketplaces and merchant payment processors. Entities that rely upon the agent-of-the-payee exemption should maintain verifiable records of agency relationships to demonstrate compliance.

A risk to consider when relying on unlicensed agents of the payee is that payers cannot be pursued for repayment if agents default, thus shifting liability entirely to the arrangement between payees and their agents.

Federal Remittance Tax Proposal

A month after the Colorado MTMA was signed into law, the U.S. House of Representatives advanced the One Big Beautiful Bill Act, budget reconciliation legislation that includes a provision to impose a 3.5% tax on noncitizens' outbound remittance transfers.[3]

The provision would require money transmitters to verify senders' citizenship status and collect the tax on behalf of the Internal Revenue Service. Only providers that become "qualified remittance transfer providers" through a written agreement with the U.S. Department of the Treasury would be exempt from collecting the tax on transfers made by "verified United States senders."

However, the proposal lacks clarity on how verification would be conducted and the process by which money transmitters qualify. While licensed money transmitters already comply with anti-money laundering and state reporting rules, the remittance tax would substantially increase compliance burdens and operational costs. Transmitters may also be required to manage refund claims for incorrectly taxed U.S. citizens. Although the reconciliation process remains fluid, money transmitters should closely monitor the proposal for potential changes.

Next Steps

Colorado's MTMA law is slated to take effect on Aug. 5, 90 days after adjournment of the Colorado General Assembly sine die, assuming no referendum petition is filed.

Money transmitters and other financial services providers operating in Colorado should examine their practices to ensure compliance with the new law.

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[1] https://leg.colorado.gov/bills/hb25-1201.
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[2] https://www.csbs.org/sites/default/files/2023-02/CSBS%20Money%20Transmission%20Modernization%20Act.pdf

[3] https://www.congress.gov/bill/119th-congress/house-bill/1/text.