

**IN THE CHANCERY COURT FOR THE STATE OF TENNESSEE  
20TH JUDICIAL DISTRICT, DAVIDSON COUNTY, TENNESSEE**

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**FINANCIAL TECHNOLOGY  
ASSOCIATION,**

**Plaintiff,**

**v.**

**DAVID GERREGANO, Commissioner of  
the Tennessee Department of Revenue,**

**Defendant.**

**No.** \_\_\_\_\_

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**COMPLAINT**

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Plaintiff Financial Technology Association (“FTA”) brings this action against Defendant David Gerregano, Commissioner of the Tennessee Department of Revenue. FTA seeks (1) a declaratory judgment that a new sales tax on international money transmissions is unconstitutional; and (2) a permanent injunction against enforcement of that tax legislation.

That legislation is House Bill No. 2502 (“HB 2502”), which Governor Bill Lee signed into law in May. Act of May 21, 2026, ch. 1035, 2026 Tenn. Pub. Acts. Effective January 1, 2027, HB 2502 imposes a sales tax on international money transfers originating in Tennessee and transmitted by entities licensed under the Tennessee Money Transmission Modernization Act, Tenn. Code Ann. Title 45, Chapter 7 (“MTMA”). The sales tax is \$10 per transaction, plus a 2% additional tax on any amount over \$500. Critically, the tax applies only to international money transfers, not to money transfers within the United States. This discriminatory treatment of foreign

commerce violates the Commerce Clause of the U.S. Constitution—in particular, the antidiscrimination principle that lies at the core of the dormant Commerce Clause precedents—and the Import-Export Clause of the U.S. Constitution.

FTA represents leading companies in the financial technology (“fintech”) industry, and brings this action on behalf of its MTMA-licensed members subject to HB 2502’s discriminatory sales tax. Those members are currently incurring harm to comply with HB 2502 and face the prospect of significant compliance and other unrecoverable costs if HB 2502 is not promptly enjoined. Against this backdrop, FTA respectfully requests that this Court “order a speedy hearing of [this] action” and “advance it on the calendar” to forestall greater harm to FTA’s members. Tenn. R. Civ. P. 57.

## **INTRODUCTION**

1. Every year, millions of Tennessee residents, businesses, and organizations of every type engage in transactions that transmit funds from Tennessee to locations outside the United States. These money transmissions occur for many reasons—individuals purchasing a product from a foreign merchant; parents sending money to support their college-age children studying abroad; an entrepreneur buying equipment for a small business; military families supporting loved ones who are serving the country far from home; or communities supporting members of their church serving in a religious mission.

2. Tennesseans can complete these transactions in many ways. They can use informal channels—like mailing a check or sending the money through a friend. They can make a wire transfer through a bank. Or they can use money-transmission services offered by fintechs and other companies. Tennessee law requires an entity engaged in such money-transmission services to hold an active MTMA license, except for insured banking institutions, which are exempted.

3. MTMA-licensed entities serve as intermediaries between customers, transferring money from one to another in a manner that is both secure and cost-effective. These features are why hundreds of thousands of Tennesseans rely on money-transmission services from MTMA-licensed entities.

4. Earlier this year, HB 2502 was introduced in the House of Representatives to tax money transmissions originating in Tennessee to a location outside the United States.

5. Trade organizations (including FTA), non-profit groups, business leaders, legislators, and private citizens from across the ideological spectrum voiced concerns about the harms HB 2502 would cause to businesses and consumers. FTA and other opponents of the bill also warned that the tax is blatantly unconstitutional.

6. A few months later, the Tennessee General Assembly passed HB 2502. On May 21, 2026, Governor Lee signed the bill into law.

7. As enacted, the law imposes a \$10 tax for each transaction in which MTMA-licensed entities transfer money abroad, plus an additional 2% tax on any amount exceeding \$500.

8. For purposes of promulgating rules and forms, the new law took effect when the governor signed it. The tax takes effect on January 1, 2027.

9. Money transmissions within Tennessee, or from Tennessee to another location within the United States, are not subject to the new tax.

10. Imposing a tax *only* on foreign-bound transactions discriminates against foreign commerce. And that discriminatory treatment—which interferes with Congress’s authority to regulate commerce with foreign Nations—violates the (dormant) Commerce Clause of the United States Constitution. Art. I, § 8, cl. 3.

11. HB 2502 also flouts the prohibition against the unilateral state taxation of exports in violation of the Import-Export Clause of the United States Constitution. Art. I, § 10, cl. 2.

12. FTA has MTMA-licensed entities among its members that are subject to HB 2502, including PayPal, Inc. and Remitly, Inc.

13. HB 2502 requires these FTA members to identify international money transmissions from among the millions of transactions processed every day in the United States; calculate the applicable tax rate for each transaction; collect the tax; file periodic returns; and remit the collected taxes to the Commissioner.

14. For several of these members, including PayPal and Remitly, their money-transmission systems, as designed and currently structured, are not equipped to meet the law's burdensome obligations to identify covered transactions, and then calculate, collect, and remit the tax.

15. Thus, to comply with HB 2502, these FTA members will have to modify existing transaction-processing systems, compliance software, and customer-facing interfaces. These members must spend significant and unrecoverable staff time and financial resources to make this happen. And FTA members must incur those nonrecoverable costs now to come into compliance before the end of the year, or else risk facing penalties.

16. Accordingly, FTA seeks declaratory and injunctive relief against the Commissioner to prevent enforcement of HB 2502 before the statute takes effect.

### **THE PARTIES**

17. FTA is a 501(c)(6) nonprofit trade association that represents and advances the interests of leaders in the fintech industry. FTA champions the power of fintechs to expand access to financial services; empower consumers, small businesses, and startups; and unlock the next

generation of financial innovation. That includes providing innovative money-transmission services throughout the United States and across the world. FTA also promotes the adoption and understanding of innovative financial technologies; advocates for a modern regulatory framework that supports innovation and consumer protection; and provides a platform for collaboration and discussion among industry stakeholders, policymakers, and consumers. FTA exists, in part, to assist its members in protecting and vindicating their interests through advocacy and litigation.

18. FTA's members include fintech companies that are subject to HB 2502. Those members include such MTMA-licensees as PayPal and Remitly, who collectively process every year millions of international money transmissions originating in Tennessee.

19. Defendant David Gerregano is sued as the Commissioner of the Tennessee Department of Revenue to prevent him from enforcing an unconstitutional law. He is charged with the responsibility for collecting Tennessee sales taxes under HB 2502 and has broad authority to implement and enforce the challenged law.

### **JURISDICTION AND VENUE**

20. This is a suit for declaratory and injunctive relief against a state officer to prevent the enforcement of a facially unconstitutional statute. Accordingly, this Court has subject matter jurisdiction over this suit. *See Colonial Pipeline Co. v. Morgan*, 263 S.W.3d 827, 832, 853-854 (Tenn. 2008); Tenn. Code Ann. § 16-11-101 to -103; *id.* § 29-14-103; *id.* § 20-18-101.

21. FTA brings this action under 42 U.S.C. § 1983, as permitted by law. *King v. Betts*, 354 S.W.3d 691, 706 (Tenn. 2011) ("State courts have concurrent jurisdiction with federal courts to adjudicate Section 1983 claims."). If FTA prevails, it is entitled to recover attorneys' fees under 42 U.S.C. § 1988. *Wimley v. Rudolph*, 931 S.W.2d 513, 516-17 (Tenn. 1996); *Bloomington's by Mail v. Huddleston*, 848 S.W.2d 52, 56 (Tenn. 1992).

22. Venue is proper in Davidson County under Tenn. Code Ann. § 20-4-101(a).

### **SUBSTANTIVE ALLEGATIONS**

**A. Tennessee Enacts HB 2502, Which Imposes A Discriminatory Tax On International Money Transmissions By MTMA-Licensed Entities.**

23. Every year, Tennesseans—including individuals, businesses, religious organizations, non-profits, and military families—conduct transactions that transmit money both domestically and abroad. These transactions can be completed through informal channels, banking institutions, and MTMA-licensed entities.

24. MTMA is a comprehensive licensing and supervisory framework that applies to entities engaged in “money transmission” that are not insured banking institutions. Tenn. Code Ann. § 45-7-104(6). MTMA obligates such entities to obtain a license from the Tennessee Department of Financial Institutions, *id.* § 45-7-110(a), and imposes numerous regulatory requirements as a condition of licensure, including minimum net-worth thresholds, surety-bond obligations, permissible-investment restrictions, record-maintenance duties, and reporting obligations, *id.* §§ 45-7-107-109, -117, -120 to 125, -129, -130 to 131, -135 to 139, and -207 to 208. MTMA also contains ongoing supervisory mechanisms (such as state examinations), and enforcement authority to address potential violations by licensees. *Id.* §§ 45-7-107, -139 to 144.

25. MTMA-licensed entities are frequently able to offer money transfers to customers at lower costs, faster speeds, and with easier access to funds than the exempted insured banking institutions.

26. In February 2026, Tennessee legislators proposed legislation to tax money transmissions through MTMA-licensed entities, when the transmission originates in Tennessee and is received in a location outside of the United States and its territories.

27. The proposed tax on these money transmissions drew opposition from various trade organizations (including FTA), non-profit groups, business leaders, legislators, and private citizens from all over the State and across the ideological spectrum.

28. Opponents voiced concerns about the harms the proposed law would inflict. They explained how the proposed law would raise costs for Tennessee businesses and consumers and undermine access to safe, regulated financial services. And they emphasized that the proposed law would unfairly burden military families supporting loved ones stationed abroad, missionaries and faith-based workers serving internationally, parents paying tuition or medical expenses overseas, and Tennesseans assisting relatives abroad.

29. Opponents also warned that the proposed law was unconstitutional. They explained that the United States Constitution empowers Congress to regulate foreign commerce, and that States may not interfere with that power by enacting laws that discriminate against foreign commerce.

30. One state senator echoed these concerns when he stated that the bill suffered from “obvious and facial unconstitutionality” because it discriminates against foreign commerce in violation of the dormant Commerce Clause.<sup>1</sup> In the senator’s own words, that conclusion is “inevitable” from the face of the statute.

31. Despite the constitutional objections, the General Assembly passed the proposed bill, and the Governor signed HB 2502 into law.

32. HB 2502 amends Tenn. Code Ann. § 67-6-205 to impose a sales tax on the “service of transmitting money from a location originating in” Tennessee “to a location outside of the

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<sup>1</sup> Tenn. Senate, Floor Session, Debate on SB2166, at 2:38:49-2:40:29 (Apr. 16, 2026), [https://tnga.granicus.com/player/clip/33314?view\\_id=775&meta\\_id=971088&redirect=true](https://tnga.granicus.com/player/clip/33314?view_id=775&meta_id=971088&redirect=true).

United States or its territories by entities licensed under the” MTMA. Act of May 21, 2026, ch. 1035, § 2, 2026 Tenn. Pub. Acts.

33. By its terms, then, the law discriminates against only foreign-bound transactions. It does not impose the tax on the otherwise identical service of transmitting money to a location within the United States or its territories. *See id.*

34. HB 2502 deems those transactions “a taxable service” and “levie[s]” a tax at \$10 per transaction, plus 2% of any amount transmitted in excess of \$500. *Id.* Thus, for example, transmitting \$1,500 would result in a \$30 tax ( $\$10 + (\$1,000 \times 2\%) = \$30$ ).

**B. HB 2502 Works In Tandem With Tennessee’s Other Tax Laws Requiring Disclosure, Collection, and Remittance.**

35. As part of Tennessee’s Sales and Use Tax Act, Tenn. Code Ann. §§ 67-6-101 *et seq.*, HB 2502 works in tandem with numerous other requirements under Tennessee law, which require setting up mechanisms for disclosing, collecting, and remitting the applicable taxes.

36. Tennessee law mandates that those entities covered by HB 2502 disclose to their customers the amount of the new tax being imposed on the transfer and display that sales tax amount separately from the cost of the service. *See* Tenn. Code Ann. § 67-6-503 (granting Commissioner authority to require “display[ing]” sales tax separately); Tenn. Comp. R. & Regs. 1320-05-01-.90 (requiring that tax be “stated on the ticket, invoice, or other record given to the customer”).

37. An entity covered by HB 2502 is a “dealer” under Tenn. Code Ann. § 67-6-102(26)(H) because the entity “[f]urnishes . . . services taxable under this chapter”—namely, the service of transmitting money from a location originating in Tennessee to a location outside of the United States and its territories. Entities subject to HB 2502 thus bear the statutory obligation to collect and remit the tax imposed by § 67-6-205(d)(1) to the Tennessee Department of Revenue.

*See* Tenn. Code Ann. § 67-6-501(a)-(b) (providing that every dealer “furnishing any of the things or services taxable under this chapter, is liable for the tax imposed by this chapter” and that the “tax shall be collected from the dealer as defined in § 67-6-102”).

38. As a result, compliance with HB 2502 will require covered entities to: (i) identify transactions originating in Tennessee under the sourcing rules of § 67-6-205(d)(7); (ii) determine whether the recipient location is outside the United States under § 67-6-205(d)(8); (iii) calculate the applicable tax (a \$10 flat fee plus 2% of any amount in excess of \$500); and (iv) file periodic returns and remit collected taxes to the Commissioner.

39. Failing to comply with these requirements also triggers penalties and interest. *E.g.*, Tenn. Code Ann. § 67-6-504(b) (a dealer’s “failure to so remit such tax shall cause the tax to become delinquent”); *id.* § 67-1-801(a)(1)-(2) (providing that interest shall accrue on any tax that is not paid when due in addition to “any penalty provided by law”); *id.* § 67-1-804 (imposing penalties for failure to timely pay taxes when due); *id.* § 67-6-517(a) (requiring the Commissioner to “assess and collect the tax and interest, plus penalty, if such have accrued” if a dealer fails to pay a tax “as provided by this chapter”).

40. Thus, HB 2502 imposes new disclosure, collection, and remittance requirements on MTMA-licensed entities that will require changes to their processing and compliance infrastructure.

**C. HB 2502 Inflicts Irreparable Injuries on FTA’s Members.**

41. FTA is a trade organization that champions the power of financial technology to expand access to financial services; empower consumers, small businesses, and startups; and unlock the next generation of financial innovation.

42. To that end, FTA advocates for policies that advance a modern, inclusive, and competitive financial services ecosystem, and opposes policies that hinder those goals.

43. FTA opposed HB 2502 when it was first proposed. And now that it is law, FTA seeks a declaration that HB 2502 is unlawful and an injunction barring its enforcement to prevent it from further harming FTA's members.

44. One FTA member subject to HB 2502 is PayPal.

45. PayPal is a fintech pioneer. For over 25 years, PayPal has served merchants and consumers, revolutionizing global commerce by offering innovative products that facilitate safe transactions globally. One of PayPal's goals is to make sending money to others simple, no matter where in the world they are located. To that end, PayPal empowers consumers and businesses in nearly 200 markets to send money to each other through a wide array of digital payment services. PayPal transmits millions of dollars in international money transmissions per year from thousands of customers in Tennessee to locations outside the United States and its territories.

46. Another FTA member subject to HB 2502 is Remitly.

47. Remitly is a leading cross-border payments company trusted by millions of customers worldwide to send money safely, securely, and reliably. Remitly's core offering is an app that delivers a fast and transparent experience for customers to send money across 175+ countries. Remitly transmits millions of dollars in international money transmissions per year from thousands of customers in Tennessee to locations outside the United States and its territories.

48. These members, and others, have begun incurring compliance costs to meet the law's fast-approaching January 1, 2027, effective date, and they will continue to suffer additional harm as a result of the law's burdensome obligations.

49. To comply with HB 2502 and the sales-tax regime more broadly, FTA members subject to the law, including PayPal and Remitly, must modify and augment existing transaction-processing systems, compliance software, and customer-facing interfaces.

50. Satisfying those requirements will require unrecoverable time and financial resources. Both PayPal and Remitly estimate that it will take months of engineering effort and spending money on external advisory services to develop and implement the tax collection, remittance, disclosure, and reporting infrastructure required to achieve compliance with HB 2502.

51. Any compliance failure exposes FTA's members to penalties and interest under Tennessee's existing sales-tax enforcement framework. *E.g.*, Tenn. Code Ann. § 67-6-504(b); *id.* § 67-1-801(a)(1)-(2); *id.* § 67-1-804; *id.* § 67-6-517(a).

52. The harms HB 2502 is currently inflicting, and threatens to inflict, are irreparable because they cannot be recovered from the State due to its sovereign immunity.

## **COUNT I**

### **(Violation of the (Dormant) Commerce Clause of the U.S. Constitution)**

53. FTA incorporates and re-alleges the allegations contained in each of the preceding paragraphs.

54. HB 2502 imposes a sales tax on international money transfers originating in Tennessee and transmitted by MTMA-licensed entities.

55. That sales tax unduly interferes with Congress's power to regulate commerce "with foreign Nations," U.S. Const. art. I, § 8, cl. 3, because it flouts the negative (or dormant) command embodied in that power that states cannot discriminate against foreign commerce.

56. It does so in at least two ways:

- a. First, HB 2502, on its face and in its effect, taxes the service of transmitting money from Tennessee to a location outside of the United States and its territories, but does not tax the identical service when the money is transmitted to another location within Tennessee or within the United States or its territories.
- b. Second, because it imposes a state-specific regime on international money transmissions, HB 2502 interferes with the federal government’s ability to speak with one voice in connection with foreign commerce.

57. In sum, by singling out only international money transmissions for taxation, HB 2502 discriminates against foreign commerce in violation of the Commerce Clause of the United States Constitution—in particular, its dormant or negative command against such discrimination.

## **COUNT II**

### **(Violation of the Import-Export Clause of the U.S. Constitution)**

58. FTA incorporates and re-alleges the allegations contained in each of the preceding paragraphs.

59. HB 2502 also violates the Import-Export Clause, which provides in relevant part that “[n]o State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports . . . ,” U.S. Const. art. I, § 10, cl. 2.

60. The Clause commits to the federal government the exclusive power to regulate foreign commerce and the right to all revenues from certain taxes on both imports and exports.

61. The tax that HB 2502 imposes on international money transmission is the kind of exaction that led the Framers of the Constitution to commit the sole power to lay imposts and duties on exports in the federal government, with no concurrent state power.

62. By imposing a state-specific sales tax on international money transmissions, HB 2502 unduly interferes with the federal government's ability to speak with one voice in connection with foreign commerce.

63. HB 2502 imposes a sales tax that falls on money transmissions based on their destination (i.e., outside of the United States and its territories), and is unauthorized by Congress. Therefore, it imposes a unilateral impost or duty that discriminates against exports.

64. Because Congress has not authorized HB 2502's discriminatory exaction on money transmissions, it violates the Import-Export Clause of the United States Constitution.

#### **REQUESTS FOR RELIEF**

FTA therefore respectfully prays for the following relief:

1. That the Court order a speedy hearing of this action for a declaratory judgment and advance it on the calendar as authorized by Tenn. R. Civ. P. 57;
2. That the Court enter an order declaring that HB 2502 violates the Commerce Clause and the Import-Export Clause of the United States Constitution;
3. That the Court issue a temporary and permanent injunction prohibiting enforcement of HB 2502 and any regulations implementing it;
4. That the Court award FTA its attorneys' fees and litigation expenses under 42 U.S.C. § 1988 or other applicable law.
5. That the Court award such other and further relief to which FTA may be entitled.

DATED: June 10, 2026

Respectfully submitted,

/s/ Andrée S. Blumstein

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