

# Contracts between Apple and a handful of US states reveal demanding terms for digital ID wallet feature

Article

**The news:** Apple's contracts with some US states reveal its strict management and cost terms for Apple Pay's state ID and driver's license storage feature, which it first [announced](#) plans for in June, per documents obtained by CNBC.

Apple is requiring that states maintain the systems needed to issue and service digital ID credentials and hire project managers to take care of Apple inquiries, verify IDs, and perform quality checks. States will also be responsible for marketing the digital IDs to encourage local and federal governments to accept them—a process reviewed and approved by Apple. The majority (potentially all) of the hiring, marketing, and management costs will fall on local taxpayers.

**The problem:** Industry experts told CNBC that states could've negotiated a more equal contract considering their critical role in helping distribute the feature, which will undoubtedly benefit Apple.

They also raised concerns with the viability of a project that comes with so many strings attached:

- **Apple's mobile market share may not justify taxpayer costs.** iOS smartphone users are projected to compose **34.7% of the US population** this year—versus Android users, who are expected to make up **39.2%**, [according to](#) Insider Intelligence forecasts. On top of that, [less than half](#) of iPhone owners currently use Apple Pay. Making US taxpayers foot most of the bill for a solution that will only benefit a portion of them may come across as an unfair liability.
- **There are also privacy concerns compared with similar digital ID solutions in other markets.** The integration will give Apple access to substantial consumer information, which leads some to worry about how that data will be stored and used. Digital ID initiatives outside of the US—like in Singapore and France—rarely run through private companies and instead are rolled out directly by the government, Johns Hopkins Carey Business School professor Phillip Phan told CNBC.

**What this means:** This deal, in which states accede to Apple's demands, reflects states' own appetite for offering digital IDs as consumers become increasingly accustomed to using their smartphones for things like shopping and making payments—an appetite strong enough that they may be willing to overlook costs.

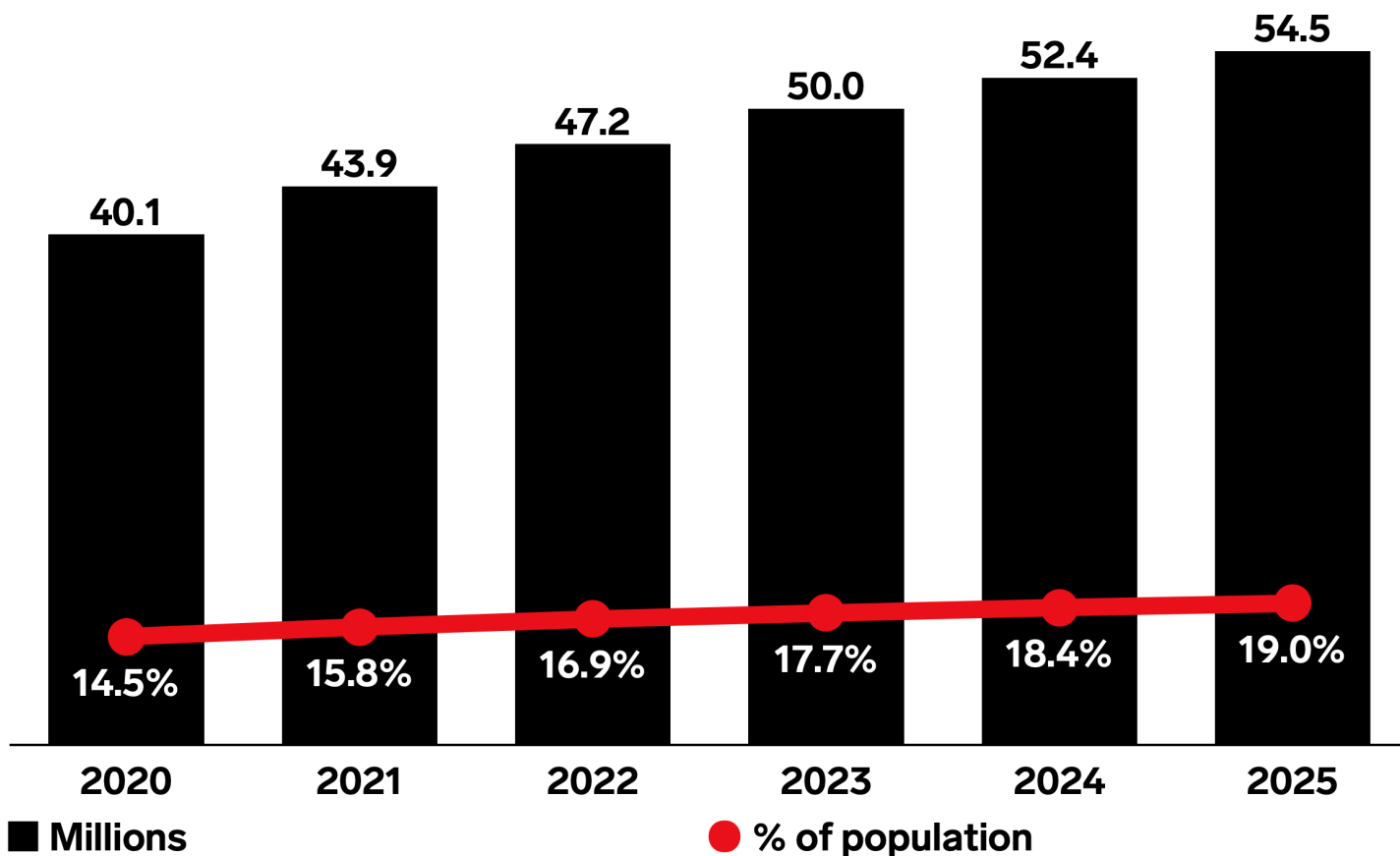
Assuming there are no contract renegotiations—which could arise as taxpayers become aware of the deal's terms—the tie-ups present clear benefits for Apple: The state ID feature

could make Apple Wallet much more appealing to iPhone owners, increasing the odds that they'll spend using Apple Pay.

***Related content:*** Check out the *Proximity Mobile Wallets* section of our [\*\*“US Mobile Payments Forecast 2021”\*\*](#) report to learn more about Apple Pay and how it stacks up against competitors.

# Apple Pay Users and Penetration

US, 2020–2025



*Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past 6 months using Apple Pay. A proximity mobile payment is a point-of-sale (POS) transaction made by using a mobile device as a payment method. Includes scanning, tapping, or swiping a mobile device at the POS to complete transaction; excludes purchases of digital goods on mobile devices, purchases made remotely on mobile devices that are delivered later on, and transactions made via tablets.*

*Source: eMarketer, March 2021*

*Methodology: Estimates are based on the analysis of the market presence of major mobile payment players; estimates from other research firms; and consumer smartphone, mobile payment adoption, and retail spending trends.*

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