



## **Regulatory Comment: Excise Tax on Remittance Transfers**

### **THE ISSUE:**

On April 13, 2026, the Internal Revenue Service (IRS) published a Notice of Proposed Rulemaking ([NPRM](#)) on the One Big Beautiful Bill Act (OBBBA) excise tax on remittance transfer providers. The NPRM provides rules and definitions on certain remittance transfers that occur after December 31, 2025, to which the 1 percent excise tax applies along with specific exemptions.

### **IMPACT TO CREDIT UNIONS:**

The OBBBA exempts remittance transfers made from credit unions if withdrawn from an account held in or by a credit union. However, if a credit union member, acting as a sender, provides a physical instrument to the credit union remittance transfer provider, then the remittance of such funds triggers the excise tax, secondary liability for the credit union, and other filing requirements. For example, if a member enters the credit union with a check payable to themselves and uses that check to pay for the remittance transfer, then the transfer is taxable. If the member makes a check payable to the credit union, as the remittance transfer provider, then the transfer is not taxable. The NPRM does not recognize the Regulation E normal course of business safe harbor for remittance transfer providers who provide 500 or fewer remittance transfers in the previous calendar year and 500 or fewer remittance transfers in the current calendar year. Therefore, for the purposes of the proposed IRS regulation, credit unions cannot rely on the normal course of business safe harbor, which would otherwise exempt such credit unions from being considered remittance transfer providers.

### **KEY POINTS:**

- Regulation E remittance transfer exemptions from the excise tax include exemptions for transactions \$15.00 or less and transactions that are excluded from the definition of an electronic fund transfer.
- In addition to the OBBBA's rule that the excise tax only applies to cash, money orders, cashier's checks or other similar physical instruments, the NRPM explicitly includes traveler's checks as subject to the excise tax.
- If a remittance transfer provider (or its agent) cashes a business or personal check payable to a sender and the funds are used to fund a remittance transfer, such transaction will be treated as a remittance transfer, and therefore taxable.
- If a remittance transfer provider or sender structures transactions to avoid the excise tax, the Secretary could disregard or recharacterize such transactions to reflect the actual substance of the transactions, making such transactions subject to the excise tax.

## **ACTION NEEDED: Deadlines and contacts**

Please use the comment link below to respond to America's Credit Unions' survey. This will help shape the discussion and better address your needs in our comment letters.

- Comments due to America's Credit Unions: May 29, 2026 — [Submit here](#).
- Comments due to IRS: June 12, 2026
- Questions? Contact [Jeremy Greenberg](#), Regulatory Advocacy Counsel, Innovation & Technology, America's Credit Unions
- Agency contacts: Julia Barlow, The Office of the Associate Chief Counsel, Energy, Credits, and Excise Tax, 203-317, 6855, or Publications and Regulations Section, (202) 317-6901, [publichearings@irs.gov](mailto:publichearings@irs.gov).

## **QUESTIONS TO CONSIDER:**

1. Is the NPRM clear on the criteria that determines whether remittance transfers are subject to the excise tax, or exempted from the excise tax? Why or why not?
2. Do you support the inclusion of traveler's checks as a type of remittance transaction that can be subject to the excise tax? Why or why not?
3. Do you agree that if a remittance transfer provider cashes a business or personal check payable to a sender and the funds are used to fund a remittance transfer, such transaction should be treated as a remittance transfer? Why or why not?

## **BACKGROUND:**

On July 4, 2025, § 4475 was added to chapter 36 of the Internal Revenue Code (Code) by § 70604 of the OBBBA. The remittance transfer tax imposed by § 4475(a) is a 1 percent tax on the amount of certain remittance transfers that occur after December 31, 2025. Remittance transfer providers are responsible for collecting the tax by withholding and remitting to the United States Department of the Treasury (Treasury) on a quarterly basis. Remittance transfer providers are secondarily liable for the tax and are required to remit the tax to Treasury, even if they do not collect the tax at the time of transfer. The OBBBA requires that the tax only applies to remittance transfers made by cash, money orders, cashier's checks, or other similar physical instruments. The OBBBA exempts transfers from the excise tax made from accounts at banks, credit unions, and other financial institutions or funded by a debit or credit card issued in the United States.

## SECTION-BY-SECTION ANALYSIS

### Proposed Amendments to 26 CFR Part 40

Section 40.01-(a) amends 26 CFR Part 40—which sets forth administrative provisions to excise taxes imposed by certain chapters the Code—by referencing the remittance transfer tax imposed by § 4475 of the Code. Section 40.01-(e) amends the applicability dates to reflect the amendment to § 40.01-(a).

### Proposed Amendments to 26 CFR Part 49

#### A. Definitions

*Credit Card*: any card, plate, coupon book or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

*Cash*: United States dollars or any foreign currency in physical form that is issued by a government or central bank.

*Consumer*: a natural person.

*Designated Recipient*: any person specified by the sender as the authorized recipient of a remittance transfer to be received at a location in a foreign country. A remittance transfer is received at a location in a foreign country if funds are to be received at a location physically outside of any State.

*Remittance Transfer*: the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider.

*Remittance Transfer Provider*: any person that provides remittance transfers for a consumer in the normal course of business, regardless of whether the consumer holds an account with such a person.

- A person is not a remittance transfer provider merely because they perform activities as an agent on behalf of a remittance transfer provider.
- A normal course of business safe harbor does not apply to taxable remittance transfers of § 4475(a).

*Sender*: a consumer in a State who primarily for personal, family, or household purposes requests a remittance transfer provider to send a remittance transfer to a designated recipient.

*State*: any State or territory of the United States or the District of Columbia.

- Although otherwise identical to the definition of “State” provided in 12 CFR 1005.2(I), this definition would omit the words “possession” and “Commonwealth of Puerto Rico.”
- This definition also omits “political subdivisions” as defined in Regulation E.

## B. Incorporation of EFTA Exclusions

- Section 49.4475-1(b)(4)(ii)(A) and (B) would incorporate two excise tax exclusions found in EFTA and Regulation E: 1) small-value transactions, and 2) transfers that fund the purchase of certain securities and commodities.
- Although the proposed exclusions apply to a limited subset of transactions, the IRS’ intent is to align the definition of a remittance transfer subject to the remittance transfer tax with the definition of a remittance transfer under EFTA.

## C. Imposition of The Tax

### 1. Attachment of the Tax

- Section 49.4475-1(c)(1) provides that the remittance transfer tax attaches at the time a remittance transfer is made.
- Section 49.4475-1(c)(2) clarifies that the remittance transfer tax attaches to a remittance transfer regardless of whether the transferred amount is disbursed to the designated recipient. In cases in which a remittance transfer is canceled or expires and the remittance transfer provider refunds the amount of the remittance transfer to the sender, the sender may file a claim for refund of the remittance transfer tax with the IRS.

### 2. Taxable Remittance Transfers

- Section 4475(c) provides that the remittance transfer tax applies only to remittance transfers for which the sender provides cash, a money order, a cashier’s check, or any other similar physical instrument (as determined by the Secretary) to the remittance transfer provider.
- Section 4475(d) provides that the remittance transfer tax does not apply to any remittance transfer for with the funds being transferred are:
  1. Withdrawn from an account held in or by a financial institution; or
  2. Funded with a debit card or credit card issued in the United States.
- Section 49.4475-1(d)(1) adds traveler’s checks to the list of taxable instruments.
  - Settlement of a payment obligation under a money order, cashier’s check, or traveler’s check by the issuing entity to the remittance transfer provider

does not constitute a “withdrawal” for purposes of § 4475(d); therefore, the source of any funds transferred is not relevant if such instruments were provided to a remittance transfer provider.

- Section 49.4475-1(d)(2) provides that when a remittance transfer provider (or its agent) cashes a personal or business check payable to the sender and the funds are used to fund a remittance transfer, such transaction will be treated as a remittance transfer for which a sender provides cash to a remittance provider.
  - This scenario is treated as involving two separate transactions: a check-cashing transaction followed by a remittance transfer for which the sender provided cash to the remittance transfer provider, regardless of the steps involved and whether the sender ever has possession of any resulting cash.
  - Any remittance transfer funded as described in § 49.4475-1(d)(2) would be subject to taxation under section 4475(a) as a remittance transfer for which the sender provided cash to a remittance transfer provider.
  
- Section 49.4475-1(d)(3) defines the amount subject to the remittance transfer tax, with respect to any taxable remittance transfer, as the amount that will ultimately be transferred to the designated recipient (amounts that will not be transferred to the designated recipient are not included).
  - Promotional bonuses that are included in the amount ultimately transferred to the designated recipient but not directly paid for by the sender would be part of the remittance transfer amount under the proposed rule.
  - Service fees, State taxes, and charges for other goods and services that are not ultimately transferred to the designated recipient would not be part of the remittance transfer amount.
  - The remittance transfer provider’s characterization of an amount would not be determinative if such amount will ultimately be transferred to the designated recipient.
  
- Section 49.4475-1(d)(4) provides that transactions engaged in for a principal purpose of avoiding the remittance transfer tax may be disregarded or recharacterized to reflect the substance of those transactions.
  - The determination of such a principal purpose is based on all facts and circumstances, including those relevant to a remittance transfer provider’s or third party’s pattern of conduct.
  
- Section 49.4475-1(e) provides examples illustrating the application of these proposed definitions and rules.

### **Proposed Applicability Date**

These regulations are proposed to apply to remittance transfers made in calendar quarters beginning on or after the date final regulations are published in the *Federal Register*.

Collectors and taxpayers may rely on these proposed regulations for remittance transfers made after December 21, 2025, and before the first calendar quarter beginning on or after the date of publishing final regulations in the *Federal Register*, provided that collectors and taxpayers follow such regulations in their entirety and in a consistent manner.