



TaxNewsFlash

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Proposed regulations: Excise tax on remittance transfers

The U.S. Treasury Department and IRS today released [proposed regulations](#) (REG-114499-25) providing rules and definitions related to the new 1% excise tax imposed under section 4475—as enacted by the “One Big Beautiful Bill Act” (OBBBA)—on certain remittance transfers that occur after December 31, 2025.

Background

The new 1% excise tax is payable by the sender of any U.S. outgoing remittance transfer and is collected by the remittance transfer provider (RTP), who must report and remit the tax on [Form 720, Quarterly Federal Excise Tax Return](#), on a quarterly basis. To the extent the tax is not collected from the sender, it is owed by the RTP. In Notice 2025-55, the Treasury Department and IRS provided relief from failure to deposit penalties in connection with the remittance transfer tax for the first three calendar quarters of 2026.

The excise tax applies to any remittance transfer for which the sender provides cash, a money order, a cashier’s check, or any similar physical instrument, but does not apply to any remittance transfer for which the funds being transferred are (1) withdrawn from an account held in or by a financial institution that is a bank insured by the Federal Deposit Insurance Corporation, a commercial bank or trust company, a private banker, an agency or branch of a foreign bank in the United States, a credit union, a broker or dealer registered with the Securities and Exchange Commission, or a broker or dealer in securities or commodities, provided that such financial institution is subject to the requirements of subchapter II of chapter 53 of title 31 of the United States Code (which imposes records and reports requirements on U.S. regulated financial institutions), or (2) funded with a U.S.-issued debit or credit card.

Under the new law, remittance transfers are treated as financing transactions for purposes of the anti-conduit rules under section 7701(I), which permit the Secretary to prescribe regulations recharacterizing any multi-party financing transaction as a transaction directly among any two or more parties if the Secretary determines that recharacterization is appropriate to prevent the avoidance of tax.

Proposed regulations

As described in the related IRS release—[IR-2026-48](#) (April 10, 2026)—the proposed regulations would clarify the application of the excise tax, including:

- Specifying the amount on which the tax is imposed
- Determining the full scope of physical instruments that trigger the tax
- Providing examples illustrating the application of the proposed definitions and rules

Section 4475(e) defines several terms fundamental to the remittance transfer tax by cross-reference to the Electronic Fund Transfer Act (EFTA) (15 U.S.C. 1693–1693r), and the proposed regulations would generally draw on those cross-referenced EFTA definitions in a manner that is consistent with the interpretation of such terms in regulations issued by the Consumer Financial Protection Bureau, see 12 CFR part 1005 (Regulation E), to the extent such interpretations are consistent with the statutory provisions governing the remittance transfer tax and principles of sound tax administration.

In addition, Prop. Treas. Reg. § 49.4475-1(b)(4)(ii)(A) and (B) would incorporate two exclusions found in the EFTA and Regulation E: one for small-value transactions of \$15 or less, and one for transfers that fund the purchase of certain securities and commodities. However, Prop. Treas. Reg. § 49.4475-1(c)(5)(ii) would depart from Regulation E by not incorporating the safe harbor in 12 CFR 1005.30(f)(2) under which a person is deemed not to be providing remittance transfers for a consumer in the normal course of its business if the person provided 500 or fewer remittance transfers in the previous calendar year and provided 500 or fewer remittance transfers in the current calendar year.

Prop. Treas. Reg. § 49.4475-1(d)(4) would provide 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 whether a sender and remittance transfer provider or third party have engaged in a transaction or series of transactions with a principal purpose of avoiding the tax would be based on all facts and circumstances, including facts and circumstances relevant to a remittance transfer provider's or third party's pattern of conduct. The proposed rule would also provide two examples of the application of this rule in which a remittance transfer provider or their agent issues general-use prepaid cards to customers paying with cash for purposes of avoiding the remittance transfer tax.

The proposed regulations would apply to remittance transfers made in calendar quarters beginning on or after the date the regulations are finalized, but collectors and taxpayers may rely on the proposed regulations for remittance transfers made after December 31, 2025, and before the first calendar quarter beginning on or after the date the regulations are finalized, provided they follow the proposed regulations in their entirety and in a consistent manner.

Comments on the proposed regulations, and requests for a public hearing, are due by the date that is 60 days after the proposed regulations are published in the Federal Register, which is scheduled to be April 13, 2026.

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