account.airworth-eas@airbus.com; website *airbus.com.*

(n) Material Incorporated by Reference

(1) The Director of the Federal Register approved the incorporation by reference of the material listed in this paragraph under 5 U.S.C. 552(a) and 1 CFR part 51.

(2) You must use this material as applicable to do the actions required by this AD, unless this AD specifies otherwise.

(i) European Union Aviation Safety Agency (EASA) AD 2025–0118R1, dated July 15, 2025.

(ii) [Reserved]

(3) For EASA material identified in this AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 8999 000; email *ADs@easa.europa.eu.* You may find this material on the EASA website at *ad.easa.europa.eu.*

(4) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206–231–3195.

(5) You may view this material at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, visit *www.archives.gov/federal-register/cfr/ibr-locations* or email *fr.inspection@nara.gov.*

Issued on April 8, 2026.

Brian Knaup,

Acting Deputy Director, Integrated Certificate Management Division, Aircraft Certification Service.

[FR Doc. 2026–07052 Filed 4–10–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 40 and 49

[REG–114499–25]

RIN 1545–BR98

Excise Tax on Remittance Transfers

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations that would provide rules and definitions related to the excise tax imposed on certain remittance transfers that occur after December 31, 2025. The proposed regulations would affect certain remittance transfer providers and certain individuals sending remittance transfers.

DATES: Electronic or written comments and requests for a public hearing must be received by June 12, 2026.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at *https://www.regulations.gov* (indicate IRS and REG–114499–25) by following the online instructions for submitting comments. Requests for a public hearing must be submitted as prescribed in the ''Comments and Requests for a Public Hearing'' section. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comment submitted to the IRS's public docket. Send paper submissions to: CC:PA:01:PR (REG–114499–25), Room 5503, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Julia Barlow of the Office of the Associate Chief Counsel (Energy, Credits, and Excise Tax), (202) 317–6855 (not a toll-free number); concerning submission of comments or request for a public hearing, Publications and Regulations Section at (202) 317–6901 (not a toll-free number) or by email at *publichearings@irs.gov* (preferred).

SUPPLEMENTARY INFORMATION:

Authority

This notice of proposed rulemaking contains proposed amendments that would revise the Excise Tax Procedural Regulations (26 CFR part 40) and add new amendments to the Facilities and Services Excise Tax Regulations (26 CFR part 49) under section 4475 of the Internal Revenue Code (Code), as enacted by Public Law 119–21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). These proposed amendments are issued under the authority granted by section 4475(b) and (c) of the Code, which authorize the Secretary of the Treasury or the Secretary's delegate (Secretary) to provide the time and manner of collection of the tax imposed by section 4475(a) (remittance transfer tax) and to determine the instruments that constitute ''similar physical instrument[s]'' for purposes of the tax.

Additionally, these proposed regulations are issued pursuant to section 7805(a) of the Code, which authorizes the Secretary to ''prescribe all needful rules and regulations for the enforcement of [the Code], including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.''

Background

Section 4475 was added to chapter 36 of the Code by section 70604 of the OBBBA. The remittance transfer tax imposed by section 4475(a) is a 1 percent tax on the amount of certain remittance transfers that occur after December 31, 2025. Section 4475(b)(1) and (2) provide that the remittance transfer tax is paid by the sender, and that the remittance transfer provider collects and remits the remittance transfer tax quarterly to the Secretary at the time and in the manner provided by the Secretary. Section 4475(b)(3) provides that, if the remittance transfer tax is not collected at the time the remittance transfer is made, the tax must be paid by the remittance transfer provider.

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 which the funds being transferred are (1) withdrawn from an account held in or by a financial institution described in subparagraphs (A) through (H) of section 5312(a)(2) of title 31 of the U.S. Code (title 31), and subject to the requirements under subchapter II of chapter 53 of title 31, or (2) funded with a debit card or a credit card issued in the United States.

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).

Section 4475(f) provides that, for purposes of section 7701(l) of the Code, with respect to any multiple-party arrangements involving the sender, a remittance transfer is treated as a financing transaction.

Because section 4475 was added to chapter 36 of the Code, and because quarterly remittances of the remittance transfer tax are explicitly required by section 4475(b)(2), the remittance transfer tax will be reported on Form 720, *Quarterly Federal Excise Tax Return,* by the remittance transfer provider as the collector. *See* 26 CFR 40.0–1(a) and 40.6011(a)–1(a)(1). Section 6302 of the Code authorizes the Secretary to establish the mode and time for collecting certain taxes, including the taxes imposed by chapter 36. Section 40.6302(c)–1(a)(1), which constitutes an exercise of authority

under section 6302(a), requires each person that is required to file Form 720 to make deposits of tax. Accordingly, collectors of the remittance transfer tax are also required to make semimonthly deposits of tax pursuant to § 40.6302(c)–1(a)(1). Those deposits are payments toward an amount that is not fully determined until filing, and are distinguishable from the quarterly remittances of tax required by section 4475(b)(2). Pursuant to § 40.0–1(c), a semimonthly period is the first 15 days of a calendar month or the portion of a calendar month following the 15th day of the month.

In Notice 2025–55, 2025–43 I.R.B. 625 (October 20, 2025), the Treasury Department and the IRS provided relief from failure to deposit penalties under section 6656 of the Code in connection with the remittance transfer tax for the first three calendar quarters of 2026. Notice 2025–55 also provides that a remittance transfer provider's ability to use the deposit safe harbor under § 40.6302(c)–1(b)(2) will not be affected by a failure during the first three calendar quarters of 2026 to make deposits of the remittance transfer tax as required under part 40, provided the remittance transfer provider satisfies the reasonable cause exception under section 6656(a).

Explanation of Provisions

I. Proposed Amendments to 26 CFR Part 40

Section 40.0–1(a) provides generally that the regulations in part 40 set forth administrative provisions relating to the excise taxes imposed by chapters 31 through 34, 36, 38, 39, 49, and 50A of the Code. Proposed § 40.0–1(a) would amend that paragraph by referencing the remittance transfer tax imposed by section 4475 as a tax imposed under chapter 36. Proposed § 40.0–1(e) would amend the applicability dates to reflect the proposed change to § 40.0–1(a).

II. Proposed Amendments to 26 CFR Part 49

A. Definitions

Section 4475(e) defines several terms by cross-reference to definitions in the EFTA. Specifically, section 4475(e)(1) provides that the terms ''remittance transfer,'' ''remittance transfer provider,'' and ''sender'' have the meanings provided in section 919(g) of the EFTA. The cross-referenced definitions incorporate other terms defined in the EFTA: specifically, ''State,'' ''consumer,'' and ''designated recipient.'' Section 4475(e)(2) defines the term ''credit card'' by reference to section 920(c)(3) of the EFTA, which in turn references section 1602 of title 15 of the U.S. Code. Section 4475(e)(3) defines the term ''debit card'' by reference to section 920(c)(2) of the EFTA, without regard to section 920(c)(2)(B) of the EFTA (which provides that the term ''debit card'' includes a general-use prepaid card, as that term is defined in section 915(a)(2)(A) of the EFTA). To effectuate section 4475(e) and reduce compliance burdens on remittance transfer providers, the proposed regulations would generally draw on the EFTA definitions of the terms cross-referenced in 4475(e) 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.

Proposed § 49.4475–1(b)(1) would define the term ''cash'' as United States dollars or any foreign currency in physical form that is issued by a government or a central bank.

Proposed § 49.4475–1(b)(2) would define the term ''consumer'' as a natural person, which is consistent with the EFTA. *See* section 903(6) of the EFTA and 12 CFR 1005.2(e). While the EFTA definition of the term ''consumer'' is not explicitly cross-referenced in section 4475(e), it is implicated by the cross-referenced definition of the term ''sender'' in section 4475(e)(1).

Proposed § 49.4475–1(b)(3) would define the term ''designated recipient'' as any person specified by the sender as the authorized recipient of a remittance transfer to be received at a location in a foreign country. *See* section 919(g)(1) of the EFTA; 12 CFR 1005.30(c). 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. *See* 12 CFR part 1005, supp. I (comment to 30(c), ''designated recipient''). This proposed definition would ensure alignment with the EFTA and would clarify the determination of the location of a recipient and, thus, the determination of the taxability of the transaction.

Consistent with section 4475(e)(1), proposed § 49.4475–1(b)(4)(i) would define the term ''remittance transfer'' as the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider. *See* section 919(g)(2)(A) of the EFTA; 12 CFR 1005.30(e).

Proposed § 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, and one for transfers that fund the purchase of certain securities and commodities. *See* section 919(g)(2)(B) of the EFTA; 12 CFR 1005.30(e)(2). These exclusions would serve to align the scope of remittance transfers subject to the EFTA with those potentially subject to the remittance transfer tax.

Proposed § 49.4475–1(b)(5)(i) would define the term ''remittance transfer provider,'' consistent with section 4475(e)(1), the EFTA, and Regulation E, as any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. *See* section 919(g)(3) of the EFTA; 12 CFR 1005.30(f). A person is not a remittance transfer provider merely because it performs activities as an agent on behalf of a remittance transfer provider. *See* 12 CFR part 1005, supp. I (comment to 30(f), ''remittance transfer provider''). For example, a grocery store would not be a remittance transfer provider merely because it acts as an agent of a remittance transfer provider to offer consumers remittance transfer services.

The Treasury Department and the IRS are aware that Regulation E provides a 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. Proposed § 49.4475–1(c)(5)(ii) would depart from Regulation E in this regard by providing that this normal course of business safe harbor does not apply to section 4475(a). This departure is necessary because otherwise the rule would have the potential to create inconsistent tax results for senders in otherwise identical remittance transfer transactions.

Consistent with section 4475(e)(1), the EFTA, and Regulation E, proposed § 49.4475–1(b)(6) would define the term ''sender'' as 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. *See* section 919(g)(4) of the EFTA; 12 CFR 1005.30(g). The Treasury Department and the IRS understand that many remittance transfer providers may already structure their businesses to distinguish consumer and business services for purposes of compliance

with the EFTA and possibly other applicable regulatory regimes. For consistency and to minimize costs to remittance transfer providers, a remittance transfer provider's classification of a remittance transfer's purpose (for personal, family, household, or other purpose) should be the same under the EFTA and the remittance transfer tax.

Proposed § 49.4475–1(b)(7) would define the term ''State'' as any State or territory of the United States, or the District of Columbia. While the EFTA definition of the term ''State'' is not explicitly cross-referenced in section 4475(e), it is implicated by the cross-referenced definition of the term ''remittance transfer'' in section 4475(e)(1). For this reason, the proposed regulations would reflect the EFTA definition of ''State,'' found in section 903(11) of the EFTA, rather than the definition provided in section 7701(a)(10). Although otherwise identical to the definition of the term ''State'' provided in 12 CFR 1005.2(l), proposed § 49.4475–1(b)(7) would omit from that definition the words ''possession'' and ''Commonwealth of Puerto Rico.'' These terms would be redundant in the context of Federal law in which the term ''possession'' is synonymous with ''territory,'' [1] and, pursuant to section 7701(d), the Commonwealth of Puerto Rico is a territory of the United States. The proposed definition would also omit the reference to ''political subdivision[s]'' in Regulation E because that concept is irrelevant to the remittance transfer tax.

B. Imposition of the Tax

1. Attachment of the Tax

Proposed § 49.4475–1(c)(1) would provide that the remittance transfer tax attaches at the time a remittance transfer is made, *see* section 4475(b)(3), clarifying that this occurs at the earlier of the time the remittance transfer is initiated by the remittance transfer provider or the time the sender pays the remittance transfer provider (or its agent). The proposed rule would include an example illustrating that the fact that funds may not be disbursed to the designated recipient until a later date does not affect the time a remittance transfer is made for purposes of determining the calendar quarter in which the tax attaches and the transfer is reportable.

Consistent with this proposed rule, proposed § 49.4475–1(c)(2) would clarify that the remittance transfer tax attaches to remittance transfers regardless of whether the transferred amount is disbursed to the designated recipient. The proposed rule would also clarify that, 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. Neither section 4475 nor any other section of the Code entitles the collector (unlike the sender) to refunds of the remittance transfer tax.

2. Taxable Remittance Transfers

Section 4475(c) and (d) provide the scope of the remittance transfers to which the remittance transfer tax applies. 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. Pursuant to the grant of authority provided in section 4475(c), proposed § 49.4475–1(d)(1) would add traveler's checks to the list of taxable instruments. As a method of payment, traveler's checks are virtually indistinguishable from money orders and cashier's checks and are, therefore, a ''similar physical instrument.''

Section 4475(d) provides that the remittance transfer tax 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 described in section 5312(a)(2)(A) through (H) of title 31 and subject to the requirements under chapter 53, subchapter II of title 31, or (2) funded with a debit card or credit card issued in the United States. Proposed § 49.4475–1(d)(1) would provide that 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 section 4475(d)(1). Such funds satisfy the issuing entity's payment obligation under the instrument, rather than being withdrawn from an account of the sender with a financial institution described above. Proposed § 49.4475–1(d)(1) would not separately address the applicability of section 4475(d)(1) to personal or business checks made out to a remittance transfer provider or general-use prepaid cards, because a sender's provision of such instruments would not trigger the remittance transfer tax under proposed § 49.4475–1(d)(1) in the first instance.

Similarly, proposed § 49.4475–1(d)(1) would not separately address section 4475(d)(2), which renders remittance transfers funded with a debit card or a credit card issued in the United States nontaxable, because a sender's use of such a card to pay for a remittance transfer would not trigger the tax under proposed § 49.4475–1(d)(1) in the first instance. As a result, any remittance transfer funded with a debit card or credit card would be nontaxable, regardless of the country in which such debit card or credit card was issued.

Proposed § 49.4475–1(d)(2) would provide that in a case in which 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 for purposes of proposed § 49.4475–1(d)(1) as a remittance transfer for which the sender provides cash to the remittance transfer provider. The proposed regulations would treat this scenario 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 under proposed § 49.4475–1(d)(1), regardless of the steps involved and regardless of whether the sender ever has actual possession of any resulting cash. Any remittance transfer funded as described in proposed § 49.4475–1(d)(2) would, therefore, be subject to taxation under section 4475(a) as a remittance transfer for which the sender provided cash to a remittance transfer provider.

Proposed § 49.4475–1(d)(3) would define 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. Thus, 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 under the proposed rule. The remittance transfer provider's characterization of an amount would not be determinative under the proposed rule if, in fact, such amount will ultimately be transferred to the designated recipient. This proposed rule is consistent with the ordinary meaning of the term ''remittance transfer,'' the reference, in section

[1] U.S. Department of the Interior, Definitions of Insular Area Political Organizations, at *https://www.doi.gov/oia/islands/politicatypes#.*

4475(d), to ''the funds being transferred,'' and the EFTA disclosure requirements under 12 CFR 1005.31(b)(1)(i).

Proposed § 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.

Proposed § 49.4475–1(e) would provide 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 these regulations are published as final regulations in the **Federal Register**. Collectors and taxpayers may rely on these proposed regulations for remittance transfers made after December 31, 2025, and before the first calendar quarter beginning on or after the date these regulations are published as final regulations in the **Federal Register**, provided that collectors and taxpayers follow these proposed regulations in their entirety and in a consistent manner.

Special Analyses

I. Regulatory Planning and Review—Economic Analysis

Executive Orders 12866 and 13563 direct agencies to assess costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility.

The proposed regulations have been designated by the Office of Management and Budget's (OMB's) Office of Information and Regulatory Affairs (OIRA) as subject to review under Executive Order 12866 pursuant to the Memorandum of Agreement (MOA, July 4, 2025) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations. OIRA has determined that the proposed rulemaking is significant and subject to review under section 3(f) of Executive Order 12866 and section 1(c) of the Memorandum of Agreement. Accordingly, the proposed regulations have been reviewed by OMB. This rule is expected to be an Executive Order 14192 regulatory action.

A. Need for Regulation

Section 70604 of Public Law 119–21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), added a new section 4475 to the Internal Revenue Code (Code). Section 4475 imposes an excise tax equal to one percent of the amount of any taxable remittance transfer. The proposed regulations are needed to clarify the scope and application of the tax. Following statutory requirements, the proposed regulations clarify that the tax would be triggered only when the sender funds the transfer with specified funding instruments. The proposed regulations also provide that the tax base would be the amount transferred to the designated recipient (rather than, say, the amount spent by the sender), and that the tax would attach at the time when a remittance transfer is made.

B. The Statute and the Proposed Regulations

Section 4475 of the Code imposes an excise tax equal to 1 percent of the amount of any taxable remittance transfer initiated by a domestic sender and received by a designated recipient located outside of the United States. Existing excise tax procedural regulations (ETPR) apply to the new remittance transfer tax by virtue of section 4475 being placed in chapter 36 of the Code. The ETPR provide administrative rules for remittance transfer providers regarding collection of the tax from senders, reporting requirements, and the payment of tax deposits to the Internal Revenue Service (IRS). The ETPR are operative even in the absence of the proposed regulations. The proposed regulations clarify that the ETPR apply to the remittance transfer tax but do not make any substantive procedural amendments regarding the remittance transfer tax.

Section 4475(c) specifies that the tax applies only to a remittance transfer that the sender funds using cash, a money order, a cashier's check, or other similar physical instrument (as provided by the Secretary). Section 4475(d) further specifies that the tax does not apply to funds being transferred that are withdrawn from an account held in or by certain financial institutions or that are funded using a debit card or a credit card issued in the United States. Using the subsection (c) authority, the proposed regulations add traveler's checks to the list of physical instruments that would give rise to a tax liability.[2] Subject to an anti-avoidance rule in the proposed regulations, a sender's provision of other instruments, such as personal or business checks, credit and debit cards (regardless of country of issuance), and general-use prepaid cards, would not trigger the remittance transfer tax. Although checks are not included on the list of taxable funding instruments, the proposed regulations clarify that if a remittance transfer provider or its agent cashes a check payable to the sender and some, or all, of the cash is used to fund a remittance transfer, then the remittance transfer is treated as being funded with cash. In this case, it does not matter whether the sender is charged a separate check-cashing fee.

The proposed regulations specify that the remittance transfer tax attaches at the time when a remittance transfer is made, which occurs at the earlier of the time the remittance transfer is initiated by the remittance transfer provider or the time the sender pays the remittance transfer provider or its agent. If the transfer is canceled or expires, and the amount of the transfer is returned to the sender, the sender may be eligible to file a claim for refund with the IRS.[3]

Section 4475(e) provides definitions of ''remittance transfer,'' ''remittance transfer provider,'' ''sender,'' ''credit card,'' and ''debit card'' by cross-referencing to the Electronic Fund Transfer Act (EFTA).[4] The EFTA definitions have been further refined in regulations issued by the Consumer Financial Protection Bureau (CFPB), which are identified as ''Regulation E.'' [5]

[2] The proposed regulations clarify that the settlement of a money order, cashier's check, or traveler's check does not constitute a withdrawal from an account at a financial institution for purposes of section 4475(d)(1). Thus, the source of any funds used to purchase such instruments is immaterial.

[3] Section 6402 of the Code provides authority for the Secretary to credit the amount of any tax overpayment in respect of an Internal Revenue tax and, subject to certain rules, may refund any balance due, including any allowed interest, to the person who made an overpayment.

[4] The EFTA is codified as 15 U.S.C. 1693–1693r.

[5] Regulation E (Electronic Fund Transfers) is found at 12 CFR part 1005.

The proposed regulations generally adopt the Regulation E definitions, which are familiar to remittance transfer providers, but modify those rules when necessary, in view of the different purpose of implementing the remittance transfer tax.

The proposed regulations adopt the definition of ''remittance transfer'' from Regulation E. This definition refers to an ''electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider.'' It does not specify the taxable amount of a remittance transfer. Therefore, the proposed regulations provide that the remittance transfer tax would be imposed on the total amount that will be transferred to the designated recipient, including any amount provided by the sender, the remittance transfer provider, or any other person (including promotional bonuses or discounts). This tax base excludes fees paid to the remittance transfer provider, any State taxes imposed on the transfer, charges for other goods or services that are not transferred, and the remittance transfer tax itself. The statutory and Regulation E definitions of remittance transfers exclude ''small-value transactions.'' [6] These transfers are currently determined under Regulation E as those valued at $15 or less. The proposed regulations adopt an additional exclusion specified under Regulation E for any transfer whose primary purpose is the purchase or sale through a regulated broker-dealer or futures commission merchant of certain regulated securities or commodities. Adoption of these exclusions by the proposed regulations is intended to align the scope of a remittance transfer under the remittance transfer tax with that of a remittance transfer under EFTA.

The proposed regulations refer to and generally adopt the Regulation E definitions of ''sender,'' ''designated recipient,'' and ''remittance transfer provider.'' Consistent with Regulation E, an entity acting as an agent on behalf of remittance transfer providers would not itself be considered a remittance transfer provider.[7] However, the proposed regulations do not adopt a Regulation E safe harbor 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 and current calendar years.[8]

C. Baseline

The Treasury Department and the IRS have assessed the benefits and costs of the proposed regulations relative to a no-action baseline reflecting anticipated Federal tax-related behavior in the absence of these proposed regulations.

D. Affected Entities and Taxpayers

By providing additional specificity to needed definitions and to required rules governing the scope, timing and amount of tax, the proposed regulations affect senders of remittances, remittance transfer providers, and agents of remittance transfer providers.

Banks, credit unions, and money services businesses (MSBs) make up the universe of remittance transfer providers. Since remittance transfers facilitated by financial institutions are primarily funded by non-cash instruments, the Treasury Department and the IRS expect that banks and credit unions will not be materially affected by the remittance tax and proposed regulations. According to annual data from NMLS Money Services Businesses Report, there are approximately 600 MSBs that are licensed as money transmitters.[9] Among them, more than 200 MSBs, through approximately 500,000 authorized agents, provide remittance transfers at retail locations and likely accept cash and cash-like payment instruments. The remaining 400 MSBs do not work with agents and likely provide remittance transfers solely through online platforms and accept non-physical payment instruments. In addition, the Treasury Department and the IRS estimate that approximately 3.6 million households per year have sent remittance transfers through nonbank money transfer services in recent years, among which 30 percent to 36 percent, or 1.1 million to 1.3 million households, likely used cash or cash-like instruments.[10]

E. Economic Effects of the Proposed Regulations

The Treasury Department and the IRS analyzed the economic effects of the proposed regulations in adopting Regulation E definitions with some modifications, clarifying that the tax base of the remittance tax excludes service fees imposed by remittance transfer providers and includes promotional values being transferred, adding traveler's checks as a cash-like instrument, and clarifying the treatment of remittance transfers paid for with funds from checks cashed by a remittance transfer provider or its agent.

The proposed regulations provide clarity and certainty to the implementation of the statute and promote a consistent application of the tax, while minimizing the associated compliance burdens for remittance transfer providers and agents. The Treasury Department and the IRS do not have readily available parameters and models to quantify the impact the proposed regulations may have on the type of funding instruments used to pay for remittance transfers or on the level of remittance transfers. The following sections describe in further detail the potential economic impacts of specific elements of the proposed regulations.

1. Economic Background of Remittance Transfers

Annual data from NMLS Money Services Businesses Report shows that the total money transmissions to domestic and foreign destinations via MSBs grew from $1.3 trillion in 2019 to $4 trillion in 2024. Money transmitted to foreign destinations (remittance transfers) accounted for 9 to 25 percent of the total money transmissions, equaling $236 billion in 2019, growing to almost $1 trillion in 2021 and 2022, but decreasing to $365 billion in 2024. Over 2019–2024, annual remittance transfers to foreign destinations through MSBs averaged $520 billion.[11] The

[6] See 15 U.S.C. 16930–1(g)(2)(B) and 12 CFR 1005.30(e)(2)(i).

[7] See the official interpretation of the section 1005.2 definition of remittance transfer provider at 12 CFR supplement I 30(f)(1).

[8] See 12 CFR 1005.30(f)(2)(i).

[9] The Nationwide Multistate Licensing System (NMLS) regulates and collects data on MSBs, some of which provide remittance transfer services, *i.e.,* money transmitters. The NMLS annual MSB reports are available at *https://mortgage.nationwidelicensingsystem.org/knowledge/Products/nmls/aboutNMLS/SitePages/NMLSReports.aspx.*

[10] The 2020 Census enumerated 331.4 million people and 126.9 million households in the U.S. (see *https://www2.census.gov/library/publications/decennial/2020/census-briefs/c2020br-10.pdf*). The FDIC National Survey of Unbanked and Underbanked Households in 2021 and 2023 finds that 2.8 percent of all surveyed households sent or received international remittances through nonbank money transfer services (see 2021 FDIC National Survey of Unbanked and Underbanked Households, at *https://www.fdic.gov/analysis/household-survey/2021report.pdf,* and 2023 FDIC National Survey of Unbanked and Underbanked Households, at *https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report*). Based on these statistics, the Treasury Department and the IRS estimate that approximately 3.6 million households will send remittances through MSBs annually. Also see subsequent analysis in ''Economic Background of Remittance Transfers'' for how the Treasury Department and the IRS derived that 30 percent of remittance transfers are paid for by cash.

[11] Money transfers to foreign destinations were highly volatile during this time period. The 2021 and 2022 annual totals are about three times as large as those in other years, likely due to a variety of factors, such as strong economic recovery post-COVID in the United States, sluggish economic recovery overseas (higher demand for remittances at

Continued

average individual money transfer size ranged from $290 to $740 over the same time period.

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TABLE 1—MONEY TRANSFERS VIA MSBS

	Total money transfer, domestic and foreign (millions of USD)	Total remittance transfer (foreign only) (millions of USD)	Average transfer, domestic and foreign (USD)
2019	1,310,111	235,820	290
2020	1,821,770	273,265	303
2021	3,768,884	942,221	740
2022	3,715,101	965,926	566
2023	3,770,451	339,341	370
2024	4,058,716	365,284	365
Average	3,074,172	520,310	439

Remittance transfers are subject to transaction fees charged by the remittance transfer providers, which can vary by provider, the size of the transfer, payment modes, the corridor of transaction, speed of delivery, as well as other factors. For $200 and $500 remittance transfers sent from the United States in 2025, the World Bank estimates an average transaction fee of 5.56 percent and 3.81 percent, respectively.[12] For taxable remittance transfers within that range of amounts, a 1 percent tax rate amounts to an average 18 to 26 percent increase in the total remittance cost (exclusive of the amount remitted) that senders will face.

MSBs offer money transfers via two main channels: at retail locations and through digital platforms. Based on industry reporting and consumer surveys, the Treasury Department and the IRS estimate that the share of remittances transferred through digital platforms is likely 40 to 50 percent. Remittance transfers through digital platforms are funded by non-cash instruments such as debit cards and ACH transfers. Among remittance transfers conducted through retail locations (the remaining 50 to 60 percent), customers can fund the transfers using cash, credit and debit cards, and other payment methods accepted by the MSB.

There is limited public information on the share of various payment methods used by senders for remittance transfers. The Treasury Department and the IRS therefore estimate the share of cash transfers based on three factors that are relevant for choosing cash payment at retail remittance transfer providers—the identity of the senders, the share of the unbanked population among senders, and broadband and smart phone penetration rates. The Treasury Department and the IRS expect that the population using MSB retail locations to make remittance transfers consists of unbanked senders, plus banked senders who lack internet or smartphone access.

A U.S. Census Bureau working paper estimates that the vast majority of remittance transfers are sent by immigrants, *i.e.,* foreign-born persons living in the United States.[13] In addition, 7 percent of immigrants live in an unbanked household, according to a recent study.[14] The Treasury Department and the IRS therefore estimate that about 7 percent of immigrants would send remittance transfers using cash because they have no access to alternative payment methods, such as debit cards, through accounts with financial institutions.

Senders without access to smartphones or internet, even if banked, do not have access to digital payment platforms, and these senders are assumed to make up the rest of the customers who use MSB retail locations. A 2023 Pew Research Center survey finds that 95 percent of adults living in the United States have access to the internet and 90 percent have a smartphone.[15] The Treasury Department and the IRS therefore estimate that approximately 4.65 percent of the total immigrant population live in banked households but do not have internet access or smartphones (5 percent without internet access or smartphones $\times$ 93 percent in banked households). This population may find money transfers through a bank uneconomical, but do not have access to less costly, digital remittance transfer platforms. Therefore, they would likely send remittances through an MSB retail location using non-physical payments, such as a debit card.

Among the two groups who are assumed to visit MSB retail locations—unbanked immigrants and banked ones without internet or smartphone access—only the first group would likely use cash or similar instruments to pay for remittance transfers. Based on the relative share of these two groups, the Treasury Department and the IRS estimate that 60 percent of retail money transfers are funded by cash and cash-like instruments.[16] Therefore, the Treasury Department and the IRS estimate that 30 to 36 percent of remittance transfers by MSBs are funded by cash.[17] Applying these shares to the average 2019–2024 annual remittance transfer volume of $520 billion results in annual cash remittance transfers totaling about $156 billion to $187 billion. These estimates are based on data from years before the remittance transfer tax went into effect.

the destination), and fluctuations in immigration flows. Excluding 2021 and 2022, the annual remittance transfers to foreign destinations averaged $303 billion.

[12] This estimate is based on Remittance Prices Worldwide database analysis available in Remittance Prices Worldwide Quarterly, at *https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q125_1_0.pdf.*

[13] A 2010 Census study using the 2008 CPS Migration Supplement estimates that foreign-born households comprised 84 percent of the households that sent remittance transfers and accounted for 90 percent of the total amount of remittance transfers. The study is available at *https://www.census.gov/content/dam/Census/library/working-papers/2010/demo/POP-twps0087.pdf.*

[14] ''A Profile of Low-Income Immigrants in the United States'' (2022), at *https://www.migrationpolicy.org/sites/default/files/publications/mpi_low-income-immigrants-factsheet_final.pdf.*

[15] See full report at *https://www.pewresearch.org/wp-content/uploads/sites/20/2024/01/PI_2024.01.31_Home-Broadband-Mobile-Use_FINAL.pdf.*

[16] The estimated share of retail payments funded by cash is (0.07/(0.07 + 0.0465)) = 60 percent.

[17] If retail transfers make up 50 to 60 percent of all transfers, and 60 percent of retail transfers are deemed to be funded by cash, then 30 percent (0.5 $\times$ 0.6) to 36 percent (0.6 $\times$ 0.6) of total remittance transfers are estimated to be funded with cash.

2. Defining Terms by Cross-Referencing and Modifying Regulation E Definitions

The proposed regulations generally adopt definitions employed in Regulation E that were initially promulgated for purposes of providing consumer protections while using electronic fund transfers. Because affected remittance transfer providers are already familiar with these terms from complying with EFTA, the proposed regulations minimize compliance burdens by not introducing new terms to affected providers.

Under the proposed regulations, an entity acting as an agent on behalf of remittance transfer providers would not itself be considered a remittance transfer provider. The decision to adopt this rule in the proposed regulations eases the potential compliance burden for the approximately 500,000 agents that work with MSBs. While these agents must adapt their current practices to collect the tax on remittance services, the MSBs must develop systems and internal controls in order to comply with the procedural rules of the ETPR as they relate to the tax on remittance transfers. Thus, under the proposed regulations, the compliance burden of the ETPR, such as familiarization with laws and regulations, recordkeeping, and reporting costs, falls primarily on MSBs rather than agents. Given their familiarity with EFTA and Regulation E, MSBs are better equipped to shoulder the ETPR compliance burden than their agents. MSBs can also leverage their size to absorb the fixed costs of complying with the ETPR on behalf of their network of agents. In the aggregate, this is less costly than an alternative where each agent would have to incur the full fixed costs of ETPR compliance.

The definition of ''remittance transfer provider'' in the proposed regulations departs from Regulation E by not adopting a safe harbor 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 and current calendar years. If the proposed regulations were not issued, entities that currently qualify for the Regulation E safe harbor would face uncertainty whether they would need to collect and remit the remittance transfer tax. The proposed regulations provide certainty to entities potentially affected by the Regulation E safe harbor, though the affected entities may face an increase in compliance cost relative to the case where the Regulation E safe harbor was adopted in the proposed regulations.

The Treasury Department and the IRS estimate that not adopting the safe harbor provided under Regulation E would affect a limited number of remittance transfer providers and a small share of remittance transfers. In 2020, the CFPB was not aware of any MSB remittance transmitter providers with less than 500 annual transfers. Therefore, the Treasury Department and the IRS expect that very few, if any, MSBs currently qualify for the safe harbor. According to the same CFPB analysis, banks and credit unions are more likely to qualify for the safe harbor, but remittance transfers facilitated by these financial institutions are unlikely to be funded with cash and hence would not be taxable with or without the safe harbor.[18]

The safe harbor was not adopted in the proposed regulations because it is inconsistent with the operation of an efficient and effective excise tax. The safe harbor is not based on a characteristic of the remittance transfer or of the sender but on the transaction volume of the entity. Consequently, under such a safe harbor rule, identical remittance transfer transactions could be either taxable or nontaxable, depending on the vendor used. Some vendors could possibly reorganize their legal structures to avoid being subject to the remittance tax, and such restructuring would be an inefficient use of resources. In addition, with the safe harbor, entities would need to accurately predict their annual remittance transfer volume to avoid the increased tax reporting and collection costs associated with being a ''remittance transfer provider.'' Overall, the Treasury Department and the IRS expect the benefits of a consistent application of the remittance tax and lower economic distortions in the provision of remittance transfers from not adopting the safe harbor to outweigh the increased compliance costs for the relatively small number of affected low-volume entities.

3. Specifying the Tax Base of the Remittance Tax

The proposed regulations clarify that the amount subject to the remittance tax is the amount ''transferred to the designated recipient.'' Specifically, the tax base excludes identified fees and taxes paid by the sender to the remittance transfer provider but not transferred to the designated recipient. However, the tax base includes any promotional bonuses transferred to the recipient, but which are not paid by the sender.

The Treasury Department and the IRS considered an alternative tax base that would include amounts paid by the sender but not transferred to the designated recipient but decided against this option. These amounts include transfer fees, State taxes, and other charges imposed or collected by the remittance transfer provider. They can vary by provider, location of the sender, destination of the recipient, payment method, speed of delivery, and the amount of transfer. Under this alternative tax base, the costs and profit of the remittance transfer provider that are associated with providing the remittance transfer service would be taxed in addition to the transfer amount. Remittances of the same amount would give rise to varying amounts of tax.

Including transfer fees and taxes in the base of the remittance transfer tax would increase the cost of a taxable remittance transfer to the sender. For example, if the fees to send a $100 transfer were $10, then including fees in the tax base would increase the tax due on this transaction from $1.00 to $1.10. The after-tax price of the transaction would increase from $11.00 to $11.10, an increase of 0.9 percent. This small increase in price would discourage taxable remittance transfers by a small amount, with the magnitude dependent on the elasticity of demand for remittance transfers.[19]

If provider fees and taxes were included in the remittance transfer tax base, then the tax can be analytically thought of as two separate taxes. The first, an excise tax on remittances and second, a targeted sales tax on the fees (inclusive of other taxes) charged by remittance transfer providers. While the primary distortion of the combined tax would be upon the after-tax price of remittances, the sales tax component of the larger tax base would introduce other distortions on remittance transfer providers. The sales tax component may affect providers and their senders differentially depending on factors such as cost structure, specialization, and location. The broader base may also encourage tax avoidance behavior by providers, such as bundling the price of services and charging a higher price for the untaxed service and a lower price for the taxed remittance transfer compared to when the services are

[18] See CFPB's analysis at *https://www.federalregister.gov/documents/2020/06/05/2020-10278/remittance-transfers-under-the-electronic-fund-transfer-act-regulation-e#footnote-84-p34896.*

[19] Recent literature suggests that the price elasticity of remittance transaction costs is around 0.09 (see Kpodar and Imam (2024), How do transaction costs influence remittances? *World Development,* vol. 177, May 2024, 106537, at *https://doi.org/10.1016/j.worlddev.2024.106537*).

purchased separately. These effects are not expected to be large, given that the tax rate is only one percent, but indicate that the economic distortions from the remittance tax would increase if the base included provider fees and other taxes. Thus, the decision to apply the remittance transfer tax to only the amount transferred would result in lower economic distortions relative to a more expansive base that included provider fees and taxes.

4. Enumeration of Similar Physical Instruments That Trigger the Remittance Tax

Section 4475(c) authorizes the Secretary to identify physical, cash-like instruments that would be treated as triggering the remittance tax. The proposed regulations add traveler's checks to the list of funding instruments that would give rise to taxable remittances. Traveler's checks are virtually indistinguishable from money orders and cashier's checks and are, therefore, a ''similar physical instrument.''

TABLE 2—TAXABLE PAYMENT INSTRUMENTS

Included by statute	*Included by proposed regulations*
—Cash — Money orders. — Cashier's checks.	—Traveler's checks.

TABLE 3—NON-TAXABLE PAYMENT INSTRUMENTS

Excluded by the statute	*Not included by proposed regulations*
—Direct debit from an account held in or by a financial institution —Debit cards and credit cards issued in the U.S.	—All other instruments not included by statute or regulations, such as: —Debit cards and credit cards issued outside the U.S. —ACH transfers. —Personal or business checks used as payment. —General-use prepaid debit cards.

By enumerating a finite list of instruments that are subject to the remittance tax, the proposed regulations provide clarification and ease compliance burdens for senders and remittance transfer providers. For senders, knowing which payment instruments give rise to taxable transfers eliminates the uncertainty around the fees and taxes they need to cover before they arrive at the retail location to send remittance transfers. For providers, having a finite, exhaustive list of taxable payment instruments provides needed certainty for payment system updates and compliance with ETPR as well as for agent notifications and trainings.

A traveler's check—the only instrument added by the proposed regulations under the authority granted in section 4475(c)—is not a widely accepted payment method at remittance transfer providers. Based on information publicly available to consumers, payment methods accepted at retail locations are primarily cash, and in some instances, debit and credit cards. The Treasury Department and the IRS therefore consider that adding this instrument to the list of taxable funding sources will have minimal effects on the behavior of senders or remittance transfer providers.

Other instruments were considered and not added to the list. The Treasury Department and the IRS determined that ACH transfers, general-use prepaid cards, and personal and business checks are not ''similar physical instruments'' that trigger the tax.

Debit and credit cards that are issued in the United States are treated under the law as not triggering the remittance transfer tax when used to fund a remittance transfer. The proposed regulations do not include any credit or debit cards in the list of tax-triggering instruments, even when issued in a foreign country.

In general, if an instrument were added to the taxable list, senders would likely switch away from that type of payment instrument towards non-taxable instruments. The ability of a sender to switch instruments depends on the characteristics of the sender and the substitutability of the instruments. For example, banked households would generally find it easy to find a similar non-taxable funding instrument, as many of the instruments are tied to having an account at a financial institution. However, for non-banked households, substitution of payment methods is more difficult. For such alternative methods to be considered, they need to meet two conditions: (1) they must be accessible to senders, and (2) using them should be less costly relative to cash than the one percent remittance tax. However, the Treasury Department and the IRS consider that these conditions would rarely both be met for non-banked households.[20]

Among the non-enumerated instruments with reasonably wide acceptance at remittance transmitters (although typically only through digital platforms), general-use prepaid cards would likely be the most accessible instrument to senders with limited access to the banking system. General-use prepaid cards are able to support many financial transactions on digital platforms, and in some cases, can present a close alternative to bank accounts.[21] However, general-use prepaid cards come with numerous fees and charges, including activation fees, monthly fees, reloading fees, and many others the sum of which add up to significantly more than one percent of the usable card value in most cases.[22] Therefore, obtaining a general-use prepaid card solely for the purpose of funding a remittance transfer and avoiding the remittance transfer tax would not be economical for most senders and is unlikely to become economical in the future.

There may be instruments not included on the list of taxable funding

[20] In 2023, 66.2 percent of unbanked households only use cash. See FDIC National Survey of Unbanked and Underbanked Households in 2023, at *https://www.fdic.gov/household-survey.*

[21] Users of reloadable prepaid cards report using them to receive direct deposits, pay monthly bills, build up savings, send and receive money transfers, and more. See more detail at *https://www.fdic.gov/household-survey.*

[22] See CFPB, What types of fees do prepaid cards typically charge? at *https://www.consumerfinance.gov/ask-cfpb/what-types-of-fees-do-prepaid-cards-typically-charge-en-2053/#:~:text=With%20most%20prepaid%20cards%2C%20you,card%20and%20how%20it%27s%20used.*

instruments that are not currently typically accepted by remittance transfer providers but may become more commonly accepted and used once remittance transfer providers and senders understand that these instruments would result in non-taxable remittance transfers. For example, remittance transfer providers may change their policies to more commonly accept store gift cards, gift certificates, or loyalty cards to pay for remittance transfers, and some senders may switch from cash to those methods of payment. There is, however, an anti-avoidance provision in the proposed regulations that would limit the ability to avoid the remittance tax through buying a nontaxable payment instrument with cash and immediately using it to fund a remittance transfer.

5. Treatment of Check Cashing

Under the proposed regulations, checks are not on the list of instruments that would trigger the remittance tax. However, the proposed regulations provide that when a personal or business check payable to the sender is cashed by a remittance transfer provider (or their agent) and funds from the cashed check are used to pay for a remittance transfer, the remittance transfer is treated as being paid for with cash and is therefore taxable. This treatment applies regardless of whether the sender ever has possession of the cash from the cashed check or whether the sender is charged an explicit check-cashing fee.

In clarifying this treatment, the proposed regulations provide clarity and certainty to both remittance transfer providers and senders who engage in check cashing transactions. This increased clarity should lower compliance burdens for remittance transfer providers since all remittance transfers involving cashed checks payable to the sender will be treated the same way no matter whether cash is handed back to the sender. In addition, this clarification eliminates potential avoidance behaviors using cashed checks. In the absence of the proposed regulations, senders who would have otherwise funded a remittance with cash may have switched to endorsing, say, a payroll check and garnered the funds for the remittance through check-cashing services. Senders and remittance providers might have then claimed that such a remittance transfer was not funded with cash, particularly in the case of transactions where cash from a cashed check was not physically handed to the sender.

The Treasury Department and the IRS do not have the data and models necessary to quantify the economic effects of the proposed regulations' treatment of remittance transfers that involve check-cashing services, but NMLS annual data is available on the volume of check-cashing by MSBs and can provide information on how the size of check cashing compares to money transfers. Table 4 presents the total annual volume of check-cashing by MSBs, which reached about $18 billion in 2024. Averaged across the years 2019–2024, check-cashing volume is about 0.5 percent of total domestic and foreign money transfers and about 3 percent of total foreign only (remittance) money transfers. The 3 percent represents an upper bound of the amount of remittance transfers that could have been funded by cashed checks, but the Treasury Department and the IRS consider 0.5 percent to be a more reasonable estimate of the share of remittances funded by cashed checks, as that assumes that cashed checks were used to fund both domestic and foreign transfers.

However, consumers cash checks at MSBs for a variety of reasons and not solely to furnish funds for money transfers. Therefore, the total share of remittances funded by cashed checks is likely even lower than 0.5 percent.

TABLE 4—SIZE OF CHECK-CASHING AND MONEY TRANSFERS

[Dollar amounts are in millions of USD]

	Total check cashing	Total money transfer, domestic and foreign	Share of check cashing as a percentage of all money transfers	Total money transfer, foreign only	Share of check cashing as a percentage of foreign money transfers
2019	10,436	1,310,111	0.80	235,820	4.43
2020	17,875	1,821,770	0.98	273,265	6.54
2021	16,623	3,768,884	0.44	942,221	1.76
2022	14,059	3,715,101	0.38	965,926	1.46
2023	13,159	3,770,451	0.35	339,341	3.88
2024	17,925	4,058,716	0.44	365,284	4.91
Average	15,013	3,074,172	0.49	520,310	2.89

6. Summary

Based on the available models and data, the Treasury Department and the IRS estimate that the economic costs and benefits of the proposed regulations would be small. The Treasury Department and the IRS invite public comments and additional data on the economic effects that would result from these proposed regulations.

II. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) (PRA) generally requires that a Federal agency obtain the approval of OMB before collecting information from the public, whether that collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the OMB.

The collections of information in these proposed regulations relate to reporting and recordkeeping requirements that would allow section 4475 collectors to meet their tax reporting obligations. The collections of information would generally be used by the IRS for tax compliance purposes and by collectors to facilitate proper tax reporting and compliance. The likely respondents are corporations and partnerships. The burden associated with these information collections will be included in Form 720 and its instructions and approved with OMB control number 1545–0023 in accordance with PRA procedures under 5 CFR 1320.10.

Any burden associated with a claim for refund of the remittance transfer tax is included in the relevant form and its instructions approved with the associated OMB control number in accordance with PRA procedures under 5 CFR 1320.10.

Books or records relating to a collection of information must be retained as long as their contents may

become material in the administration of any Internal Revenue law. Generally, tax returns and tax return information are confidential, as required by section 6103.

III. Regulatory Flexibility Act

In accordance with the Regulatory Flexibility Act (5 U.S.C. chapter 6) (RFA), the Secretary of the Treasury hereby certifies that these proposed regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that the remittance transfer tax is imposed on senders, who are defined in this notice of proposed rulemaking as natural persons, and collected by the approximately 600 remittance transfer providers in the United States,[23] few of which are likely to meet the relevant definition of a small entity under the RFA and regulations thereunder. Although some small entities, such as grocery stores, convenience stores, and pharmacies, are engaged as agents of these remittance transfer providers, the proposed regulations would clarify that an entity is not deemed to be acting as a remittance transfer provider when it performs activities as an agent on behalf of a remittance transfer provider. As a result, any remittance transfer tax-related burden borne by such a small entity would be properly attributable to the remittance transfer provider and not to the small entity as such. Even were that not the case, any remittance transfer tax-related burden borne by an agent of a remittance transfer provider (for example, additional training), regardless of whether a small entity for RFA purposes, would likely constitute a small change in the already existing burdens imposed by such entity's contractual relationship with the remittance transfer provider. These proposed regulations will not, therefore, create additional obligations for, or have a significant economic impact on, a substantial number of small entities, and analysis under the RFA is not required. Notwithstanding this certification, the Treasury Department and the IRS welcome comments on the impact of these proposed regulations on small entities.

IV. Submission to the Small Business Administration

Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking has been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small businesses.

V. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of $100 million in 1995 dollars, updated annually for inflation. These proposed rules do not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

VI. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These proposed regulations do not have federalism implications and do not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of the Executive order.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the Treasury Department and the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed regulations. Any electronic and paper comments submitted will be made available at *https://www.regulations.gov* or upon request. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn.

A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

Statement of Availability of IRS Documents

The IRS notice cited in this preamble is published in the *Internal Revenue Bulletin* and is available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at *https://www.irs.gov.*

Drafting Information

The principal author of these proposed regulations is Julia Barlow of the Office of the Associate Chief Counsel (Energy, Credits, and Excise Tax). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects

26 CFR Part 40

Excise taxes, Reporting and recordkeeping requirements.

26 CFR Part 49

Excise taxes, Reporting and recordkeeping requirements, Telephone, Transportation.

Proposed Amendments to the Regulations

Accordingly, the Treasury Department and the IRS propose to amend 26 CFR parts 40 and 49 as follows:

PART 40—EXCISE TAX PROCEDURAL REGULATIONS

■ **Paragraph 1.** The authority citation for part 40 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805.

* * * * *

■ **Par. 2.** Section 40.0–1 is amended by revising paragraphs (a) and (e) to read as follows:

§ 40.0–1 Introduction.

(a) *In general.* The regulations in this part are designated the *Excise Tax Procedural Regulations.* The regulations in this part set forth administrative provisions relating to the excise taxes imposed by chapters 31 through 34, 36, 38, 39, 49, and 50A of the Internal Revenue Code (Code) (except for the chapter 32 tax imposed by section 4181 (firearms tax) and the chapter 36 taxes imposed by sections 4461 (harbor maintenance tax) and 4481 (heavy vehicle use tax)), and to floor stocks taxes imposed on articles subject to any of these taxes. Chapter 31 relates to retail excise taxes; chapter 32 to

[23] A review of North American Industry Classification System (NAICS) data collected by the IRS showed that such data was insufficiently granular to identify the remittance transfer providers within significantly broader categories, such as ''Financial Transactions Processing, Reserve, and Clearinghouse Activities,'' (NAICS Code 522320) and thus a poor indicator of the size of such entities, regardless of how measured. For purposes of this RFA certification, the Treasury Department and the IRS are instead relying on publicly available data sources to estimate the total number of remittance transfer providers in the United States.

manufacturers' excise taxes; chapter 33 to taxes imposed on communications services and air transportation services; chapter 34 to taxes imposed on certain insurance policies; chapter 36 to taxes imposed on transportation by water and remittance transfers; chapter 38 to environmental taxes; chapter 39 to taxes imposed on registration-required obligations; chapter 49 to taxes imposed on indoor tanning services; and chapter 50A to taxes imposed on the sale of designated drugs. References in this part to taxes also include references to the fees imposed by sections 4375 and 4376 of the Code. *See* parts 43, 46 through 49, and 52 of this chapter for regulations related to the imposition of tax.

* * * * *

(e) *Applicability dates*—(1) *Paragraph (a).* Paragraph (a) of this section applies to returns required to be filed under § 40.6011(a)–1 for calendar quarters beginning on or after [date of publication of final regulations in the **Federal Register**]. For rules that apply before [date of publication of final regulations in the **Federal Register**], *see* 26 CFR part 40, revised as of April 1, 2025.

* * * * *

PART 49—FACILITIES AND SERVICES EXCISE TAXES

■ **Par. 3.** The authority citation for part 49 is amended by adding an entry for § 49.4475–1 in numerical order to read, in part, as follows:

Authority: 26 U.S.C. 7805.

* * * * *

Section 49.4475–1 also issued under 26 U.S.C. 4475(b) and (c).

■ **Par. 4.** Section 49.0–1 is amended by revising the second sentence to read as follows:

§ 49.0–1 Introduction.

* * * The regulations relate to the taxes on communications and transportation by air imposed by chapter 33 of the Internal Revenue Code (Code), the tax on remittance transfers imposed by section 4475 of the Code, and the taxes on indoor tanning services imposed by section 5000B of the Code. * * *

Subpart G [Redesignated as Subpart H]

■ **Par. 5.** Subpart G is redesignated as subpart H.

■ **Par. 6.** Add a new subpart G to read as follows:

Subpart G—Remittance Transfers

§ 49.4475–1 Remittance transfers.

(a) *In general.* Section 4475(a) of the Internal Revenue Code (Code) imposes a 1 percent tax on taxable remittance transfers (remittance transfer tax). Paragraph (b) of this section provides definitions that apply for purposes of section 4475 and this section. Paragraph (c) of this section provides rules regarding when the remittance transfer tax attaches to taxable remittance transfers described in paragraph (d) of this section. Paragraph (e) of this section provides examples that illustrate the application of section 4475 and this section.

(b) *Definitions.* The following definitions apply for purposes of section 4475 and this section.

(1) *Cash.* The term *cash* means United States dollars or any foreign currency in physical form that is issued by a government or a central bank.

(2) *Consumer.* The term *consumer* means a natural person.

(3) *Designated recipient.* The term *designated recipient* means 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.

(4) *Remittance transfer*—(i) *In general.* The term *remittance transfer* means the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider. The term applies regardless of whether the sender holds an account with the remittance transfer provider.

(ii) *Exclusions.* The term *remittance transfer* does not include—

(A) *Small value transactions.* Transfer amounts, as described in 12 CFR 1005.31(b)(1)(i) revised as of January 1, 2026, of $15.00 or less.

(B) *Securities and commodities transfers.* Any transfer that is excluded from the definition of electronic fund transfer under 12 CFR 1005.3(c)(4) revised as of January 1, 2026.

(5) *Remittance transfer provider*—(i) *In general.* The term *remittance transfer provider* means any person that provides remittance transfers for a consumer in the normal course of its business, regardless of whether the consumer holds an account with such person. A person is not a remittance transfer provider merely because it performs activities as an agent on behalf of a remittance transfer provider. For example, a grocery store would not be a remittance transfer provider merely because it acts as an agent of a remittance transfer provider to offer consumers remittance transfer services.

(ii) *Non-applicability of normal-course-of-business safe harbor.* For purposes of section 4475 and this section, the safe harbor provided in 12 CFR 1005.30(f)(2), which provides a threshold number of remittance transfers below which a person is deemed not to be providing remittance transfers for a consumer in the normal course of its business, does not apply.

(6) *Sender.* The term *sender* means 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.

(7) *State.* The term *State* means any State or territory of the United States, or the District of Columbia.

(c) *Attachment of tax*—(1) *In general.* The remittance transfer tax attaches at the time a remittance transfer described in paragraph (d) of this section is made. A remittance transfer is made at the earlier of the time the remittance transfer is initiated by the remittance transfer provider or the time the sender pays the remittance transfer provider (or its agent). For example, if a sender pays for a remittance transfer on December 31, 2026, the remittance transfer provider initiates the transfer on the same day, and the funds are disbursed to the designated recipient on January 2, 2027, such remittance transfer occurred on December 31, 2026, and is reportable for the fourth calendar quarter of 2026 and not in the first calendar quarter of 2027. *See* part 40 of this chapter for rules relating to returns, payments, deposits, and other procedural rules applicable to this section.

(2) *Canceled or expired remittance transfers.* The remittance transfer tax attaches when the remittance transfer is made regardless of whether the remittance transfer is ever paid out to the designated recipient (for example, if the transfer was canceled or expired). In a case in which the transfer is canceled or expires and the amount of the remittance transfer is returned to the sender, the sender may be eligible to file a claim for refund of the remittance transfer tax with the Internal Revenue Service. *See* sections 6401 and 6402 of the Code.

(d) *Taxable remittance transfers*—(1) *In general.* The remittance transfer tax applies only to remittance transfers for which the sender provides cash, a money order, a cashier's check, or a traveler's check to the remittance transfer provider. Subject to the anti-avoidance rule in paragraph (d)(4) of this section, this is the exclusive list of instruments that, when provided to a

remittance transfer provider, trigger the remittance transfer tax. Settlement of the issuer's payment obligation to the remittance transfer provider under a money order, cashier's check, or traveler's check does not constitute *withdrawal* for purposes of section 4475(d)(1) and, consequently, the source of any funds transferred is not relevant if such instruments have been provided to a remittance transfer provider.

(2) *Personal or business check cashed by remittance transfer provider.* If a remittance transfer provider (or its agent) cashes a personal or business check payable to the sender and some or all of the cash from the check cashing is used to fund a remittance transfer, such transaction is treated as a remittance transfer for which the sender provides cash to the remittance transfer provider, regardless of whether the sender ever has actual possession of any resulting cash.

(3) *Amount subject to taxation.* The remittance transfer tax is imposed on the total amount that will be transferred to the designated recipient, including any amount provided by the sender, the remittance transfer provider, or any other person (for example, promotional bonuses or discounts), regardless of how such amounts are characterized for purposes of the remittance transfer. Fees, taxes, and other amounts that will not be transferred to the designated recipient with respect to any remittance transfer, including the amount of the remittance transfer tax imposed, are excluded from the total amount on which the remittance transfer tax is imposed.

(4) *Transactions for tax-avoidance purposes.* If a sender and remittance transfer provider (or its agent) or third party engage in a transaction (or series of transactions) with a principal purpose of avoiding the remittance transfer tax, the Secretary may disregard or recharacterize the transaction (or series of transactions) in accordance with its substance. The determination of whether a sender and remittance transfer provider (or its agent) or third party have engaged in a transaction (or series of transactions) with a principal purpose of avoiding the tax is based on all facts and circumstances, including a remittance transfer provider's or third party's pattern of conduct, the timing of the transactions involved, the amount of the transactions involved, and the relationship between any parties involved. For example, if a sender provides $500.00 in cash to a remittance transfer provider (or its agent) in exchange for a general-use prepaid card loaded with $500.00 and then immediately initiates a remittance transfer in the amount of $500.00 paid for with the general-use prepaid card, the series of transactions (the purported purchase of a general-use prepaid card immediately followed by a remittance transfer) may be recharacterized as a remittance transfer in which the sender provided cash to the remittance transfer provider. As a result, the remittance transfer tax attaches to the remittance transfer and, if not collected from the sender at the time of attachment, becomes a liability of the remittance transfer provider. The same result would arise if, under the same sequence of events, the consumer immediately provides the general-use prepaid card to a relative who initiates the remittance transfer with the remittance transfer provider.

(e) *Examples*—(1) *In general.* The following examples illustrate the application of section 4475 and this section. For purposes of these examples, Sender is a sender as defined in paragraph (b)(6) of this section, Designated Recipient is a designated recipient as defined in paragraph (b)(3) of this section, and Remittance Transfer Provider is a remittance transfer provider as defined in paragraph (b)(5) of this section. Retailer is a retailer that accepts payments for remittance transfers from consumers and remits such payments to Remittance Transfer Provider (as an agent of Remittance Transfer Provider).

(2) *Example 1: Fees, taxes, and bonuses*—(i) *Facts.* Sender engages Remittance Transfer Provider through Retailer in State A to transfer $1,000.00 to Designated Recipient. Sender pays cash to Retailer for the remittance transfer. Remittance Transfer Provider charges a service fee of $20.00 for the remittance transfer and, as part of a marketing promotion, transmits an additional $5.00 ''bonus'' to Designated Recipient. State A imposes a $12.00 tax on the transaction.

(ii) *Analysis.* Because Sender, Designated Recipient, and Remittance Transfer Provider are a sender, designated recipient, and remittance transfer provider, respectively, as those terms are defined in paragraph (b) of this section, and because Sender requested an electronic transfer of funds to Designated Recipient, the transfer qualifies as a remittance transfer under the definitions provided in paragraph (b) of this section. Moreover, because Sender has provided Retailer (as an agent of Remittance Transfer Provider) an instrument described in paragraph (d)(1) of this section (cash), the remittance transfer is, upon payment by Sender, subject to the remittance transfer tax. The total amount transferred to Designated Recipient is $1,005.00, which includes the amount provided by Sender to be sent to Designated Recipient ($1,000.00) and the ''bonus'' transmitted to Designated Recipient by Remittance Transfer Provider ($5.00) but excludes Remittance Transfer Provider's service fee ($20.00) and the State A tax ($12.00), neither of which are sent to Designated Recipient. The remittance transfer tax imposed is one percent of $1,005.00, or $10.05.

(3) *Example 2: Remittance transfer paid for with a personal check*—(i) *Facts.* The facts are the same as those provided in paragraph (e)(2)(i) of this section (Facts of *Example 1*), except that Sender provides Retailer (as an agent of Remittance Transfer Provider) with a personal check payable to Remittance Transfer Provider.

(ii) *Analysis.* For the reasons provided in paragraph (e)(2)(ii) of this section (Analysis of *Example 1*), the transfer qualifies as a remittance transfer under the definitions provided in paragraph (b) of this section. Sender has not, however, provided Retailer (as an agent of Remittance Transfer Provider) any instrument described in paragraph (d)(1) of this section. As a result, the remittance transfer will not, upon payment by Sender, be subject to taxation under section 4475(a). The result would be the same if Sender had instead provided, for example, a debit card, general-use prepaid card, credit card, or store gift card.

(4) *Example 3: Remittance transfer paid for using check-cashing service*—(i) *Facts.* The facts are the same as those provided in paragraph (e)(2)(i) of this section (Facts of *Example 1*), except that Remittance Transfer Provider offers customers a check cashing service for a fee of $4.00 and Sender provides Retailer (as an agent of Remittance Transfer Provider) a $1,000.00 paycheck payable to Sender and requests a transfer in the amount of $800.00. Retailer (as an agent of Remittance Transfer Provider) charges Sender the Remittance Transfer Provider's $20.00 service fee and the State A's $12.00 tax, but does not charge Sender the $4.00 check-cashing fee.

(ii) *Analysis.* For the reasons provided in paragraph (e)(2)(ii) of this section (Analysis of *Example 1*), the transfer qualifies as a remittance transfer under the definitions provided in paragraph (b) of this section. Under paragraph (d)(2) of this section, the transaction is treated as a remittance transfer for which the sender provided cash. This is true despite the fact that Retailer (as an agent of Remittance Transfer Provider) did not charge Sender the $4.00 check-

cashing fee. As a result, the remittance transfer is, upon payment by Sender, subject to taxation under section 4475(a). The remittance transfer tax imposed is one percent of $805.00, or $8.05.

(f) *Applicability date.* This section applies to remittance transfers made in calendar quarters beginning on or after [date of publication of final regulations in the **Federal Register**].

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Chief Executive Officer.

[FR Doc. 2026–07085 Filed 4–10–26; 8:45 am]

BILLING CODE 4831–GV–P