THETAXBOOK News Release Date: 10/7/26

Remittance Transfer Tax

Cross References

- IRC §4475
- Notice 2025-55
- Notice 2026-52

Effective for transfers made after 2025, the One Big Beautiful Bill Act (OBBBA) imposes a 1% excise tax on the transfer of money from a sender located in the United States to a recipient in a foreign country where the sender sends cash, a money order, or a cashier's check. The law exempts transfers funded through accounts at certain financial institutions or U.S. issued debit or credit cards. The tax (remittance transfer tax) is paid by the sender.

Individuals and businesses are subject to the tax if they send money out of the United States through a remittance transfer provider such as MoneyGram or Western Union, and pay with cash, a money order, a cashier's check, or a similar physical instrument. Examples of affected parties include:

- Immigrants sending money to family in their home country.
- U.S. citizens sending financial gifts or supporting relatives overseas.
- Dual nationals and expats supporting foreign dependents.
- Green card holders and those with work visas.
- Businesses making cash-based international payments to vendors.

Examples of exempt transactions include:

- Electronic transfers such as wire transfers, Automated Clearing House (ACH) payments, and transactions through mobile apps when funded by a U.S. issued card.
- Transfers funded by a U.S. issued debit or credit card.
- Transfers funded by withdrawals from accounts at financial institutions subject to Bank Secrecy Act requirements, such as U.S. banks and credit unions.
- Transfers funded by virtual currency, such as cryptocurrencies.

The individual or business sending the money is subject to the tax, but it is collected and paid over to the government by remittance transfer providers, such as money service businesses. Remittance transfer providers can be held liable if the tax is not collected from the sender.

Notice 2025-55. The IRS provided relief from failure to deposit penalties under IRC section 6656 in connection with the remittance transfer excise tax for the first, second, and third calendar quarters of 2026. The relief was provided a transition period for remittance transfer providers to familiarize themselves with the new tax and its reporting and deposit requirements.

© 2026 Tax Materials, Inc.

Notice 2026-52. The IRS recently extended the relief provided in Notice 2025-55. For semimonthly periods ending before the applicability date of final regulations issued under IRC section 4475, a remittance transfer provider will be deemed to have satisfied the reasonable cause standard under IRC section 6656 if:

1) The remittance transfer provider makes timely deposits of the applicable remittance transfer tax, even if the deposit amounts are computed incorrectly, and
2) The amount of any underpayment of the applicable remittance transfer tax for each calendar quarter is paid in full by the due date for filing the Form 720 for that quarter.

A remittance transfer provider's ability to use the deposit safe harbor under Reg. section 40.6302(c)-1(b)(2) will not be affected by a failure to make a deposit of the remittance transfer tax as required under part 40 with respect to a semimonthly period ending before the applicability date of final regulations issued under IRC section 4475, provided the remittance transfer provider satisfies the reasonable cause standard with respect to that failure.

©2026 Tax Materials, Inc.