

Alert | Tax/Financial Regulatory & Compliance



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One Big Beautiful Bill Act - Senate Proposal Would Limit Applicability of House's 3.5% Remittance Tax on Fund Transfers Abroad

On June 16, 2025, the Senate Finance Committee released its own version (Senate Proposal) of the tax provisions of H.R. 1, entitled the "One Big Beautiful Bill Act" (Bill) which the U.S. House of Representatives passed on May 22, 2025. The full U.S. Senate is expected to debate the Senate Proposal in the days ahead, where additional changes may be made.

The Bill passed by the House includes a proposal to impose a 3.5% excise tax on "remittance transfers" after Dec. 31, 2025 (Remittance Tax), subject to certain exceptions for transfers made by U.S. citizens and nationals.

Key Exceptions in the Senate Proposal

Presumably addressing significant concerns raised by U.S. financial institutions and business associations, the Senate Proposal significantly limits the applicability of the Remittance Tax by providing an exception for remittance transfers made through accounts held by certain financial institutions subject to the Bank Secrecy Act (and that are therefore subject to anti-money laundering (AML) recordkeeping and reporting requirements). More specifically, funds withdrawn from an account held in or by the following types of financial institutions are excepted from the Remittance Tax: (i) an insured bank; (ii) a commercial bank or trust company; (iii) a private banker; (iv) an agency or branch of a foreign bank in the

United States; (v) a credit union; (vi) a broker or dealer registered with the Securities and Exchange Commission; and (vii) a broker or dealer in securities or commodities. The Senate Proposal also makes an exception for remittance transfers that are funded with a debit or credit card issued in the United States. In parallel, the Senate Proposal affirmatively applies the Remittance Tax to any remittance transfer for which the sender provides cash, a money order, a cashier's check, or any other similar instrument (as determined by the Secretary of the Treasury).

The Remittance Tax, if enacted as proposed in the Senate Proposal, would be imposed on the sender at a rate of 3.5% on certain fund remittance transfers conducted primarily for personal, family, or household purposes after Dec. 31, 2025, to accounts or recipients outside the United States, which are not made through accounts held in or by the expressly enumerated financial institutions or funded with a debit card or a credit card issued in the United States. Unlike the House proposal, the Remittance Tax under the Senate Proposal would also apply to U.S. citizens and nationals. When applicable, the Remittance Tax will be imposed on the sender, but the remittance transfer provider will be required to collect and remit the tax to the IRS on a quarterly basis and will have secondary liability for any tax that is not paid at the time the transfer is made. The proposed provisions also provide for a refundable tax credit for any Remittance Tax paid by or on behalf of U.S. citizens and nationals, green card holders, and other holders of work-eligible visas who are issued social-security numbers. The remittance transfer providers that are not excluded under the Senate Proposal would also be required to file returns with the Secretary of Treasury detailing the amount of Remittance Tax collected and paid by the remittance transfer provider, as well as the name, address, and social-security number of any senders who certified an intent to claim the remittance tax credit.

Notably, the Senate Proposal does not carve out an express exception for Money Services Businesses (MSBs), registered investment advisors, or corporations organized under Section 25A of the Federal Reserve Act (i.e., Edge corporations).¹ As a result, such companies (and others not expressly excepted from the Remittance Tax requirements) should consider assessing whether the funds being transferred are “withdrawn from an account held in or by” one of the enumerated financial institutions or funded by a debit or credit card issued in the United States to fall under an exception.

Financial institutions should monitor the upcoming Senate debate and the process for resolving differences between the two bills, and assess their current procedures for handling cross-border remittances to determine what adjustments need to be made to collect the required information and tax in order to comply with the Remittance Tax requirements.

¹ While not expressly carved out, there is an argument that Edge corporations may be subject to the exception under the “commercial bank” category. Nonetheless, obtaining clarity on this point as the Bill evolves will be critical for the banking industry. Additionally, it is unclear whether virtual currency transfers are subject to the Remittance Tax. The Senate Proposal, like the House Bill, incorporates definitions from the Electronic Funds Transfer Act (15 U.S.C. §§ 1693 et seq.) (EFTA), specifically regarding “remittance transfer,” “remittance transfer provider,” and “sender.” A “remittance transfer” by definition requires there be an electronic transfer of “funds.” The term “funds” is not defined under the EFTA or Regulation E (12 C.F.R. Part 1005), although the CFPB, in one of the final acts under the Biden administration, proposed an interpretive rule to expand the “funds” definition under the EFTA to include stablecoins and “other similarly-situated fungible assets that either operate as a medium of exchange or as a means of paying for goods or services.” 90 Fed. Reg. 3723 at 3726. Nevertheless, absent a final effective interpretive rule or other established definition of “funds” to capture virtual currency products, the Remittance Tax arguably would not apply to virtual currency and crypto-related asset transfers.

Authors

This GT Alert was prepared by:

- **Shane Foster** | +1 602.445.8037 | Shane.Foster@gtlaw.com
- **Christina Guerrero-Gomez**[~] | Summer Associate | New York
- **Robert Mangas** | +1 202.530.8507 | mangasr@gtlaw.com
- **Marina Olman-Pal** | +1 305.579.0779 | Marina.Olman@gtlaw.com
- **Erez I. Tucner** | +1 212.801.9241 | tucnere@gtlaw.com

[~] *Not admitted to the practice of law.*

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