May 28, 2025

The Honorable Mike Crapo
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Wyden,

On behalf of the Electronic Transactions Association (ETA), INFiN, A Financial Services Alliance (INFiN), the Money Services Business Association (MSBA), The Money Services Round Table (TMSRT), the Financial Technology Association (FTA), the American Fintech Council and the Innovative Payments Association, we strongly urge lawmakers to refrain from including any tax on remittance transfers and a related invasive citizenship verification requirement in the anticipated reconciliation bill.

The current proposal would impose a 3.5% tax, to be paid by the sender, on all "remittance transfers" as defined by the Electronic Fund Transfer Act and the implementing regulations set forth at 12 CFR Part 1005 Subpart B (collectively, the "Remittance Transfer Rule"). The Remittance Transfer Rule defines a covered transfer as any transaction initiated by a consumer in the United States to a designated recipient outside of the United States. This tax would therefore apply to cross-border payments services provided to consumers by banks, licensed money transmitters, digital asset and virtual currency platforms, and other financial institutions. It will apply to consumer payments for bills and other purchase transactions (e.g., paying for college abroad and payments to military families), and to transfers of funds to friends and family.

The proposal offers a complex, convoluted, and burdensome framework for potentially avoiding the tax. In this regard, the tax requirement would not apply to a financial institution that is a "qualified remittance transfer provider" (a "Qualified Provider") that processes a transaction on behalf of a consumer that is a "verified United States sender." A financial institution seeking to become a Qualified Provider must enter into a written agreement with the Secretary of the Treasury pursuant to which such provider agrees to verify the status of a sender as a citizen or national of the United States. A "verified United States sender" is any sender who is verified by a Qualified Provider as being a citizen or national of the United States pursuant to such an agreement. The proposal does not establish a framework for how a Qualified Provider would verify the status of a sender of funds, but it appears inevitable that it would require the collection and verification of sensitive person information such as Passport or social security number—which presents a very serious privacy concern.

In the alternative, a sender who is a citizen or national of the United States (but, apparently, not any other person lawfully present in the United States that has a Social Security number can seek a refundable tax credit on his or her tax return. But, in order for the tax credit to be honored, the remittance transfer provider must have collected from the sender, and reported to the Secretary of the Treasury, information including the sender's name, address and social security number **for every transaction conducted by senders for which the tax is paid**.

This measure is a massive invasion of privacy that will require private businesses to collect and share the sensitive, personal information of millions of Americans with the federal government. It will impose massive implementation and ongoing operational and direct monetary costs on financial institutions and private businesses (often small businesses) that partner with financial institutions to deliver important financial services to American consumers. It will undermine critical financial regulations that help protect the nation's security and weaken law enforcements efforts to combat money laundering, terrorism financing and other illicit activity. And it will harm hardworking Americans, including America's 27 million sole proprietors, 1.31 million active-duty service members fighting for our country overseas, religious organizations engaged in missionary work, and countless Americans working, living, and studying abroad.

This provision would create a dangerous new precedent with respect to government overreach by invading the privacy of Americans, harming American businesses, and—for the first time—intruding on payment transactions between private individuals by requiring a report of any transactions for which the tax is paid to be reported to the government. Everyday Americans would be asked to turn over sensitive identification information in order to use a regulated and licensed financial services provider to conduct ordinary, everyday financial transactions. With good reason, leading policy experts have condemned this approach:

- **Cato Institute** scholars classify this as a measure to "increase government surveillance."
- **American Enterprise Institute** experts note: "This remittance tax has it all: More forms to fill out, more data to hand over to private companies, more private companies acting as tax collectors or law enforcers, and more complexity in our tax forms . . . These kinds of proposals have been pressed for decades right along with the growth of administrative government. Ronald Reagan fielded a proposal for a national ID system in 1981 and dispatched it quickly with characteristic wit, saying, 'Maybe we should just brand all the babies."

This policy directly contradicts the Administration's anti-cartel and anti-trafficking priorities. Taxing remittances will drive consumers towards unregulated, underground channels to avoid added costs, posing direct risks to national security and financial integrity. U.S. financial services providers will face significant new compliance and reporting requirements without corresponding benefits to system safety or soundness.[1]

Reasons for Opposition to Taxing Remittances

1. **Raises Serious Privacy Concerns**

Under this provision, American citizens would be forced to submit additional sensitive personal information to financial institutions (which will in turn submit this information to the Internal Revenue Service (IRS)) to avoid paying this new tax or to get a refund of the tax paid. This invades the personal privacy and speech rights of Americans who simply want to use the financial tools and services available to them.[2]

- As noted, for a remittance service provider to become a Qualified Provider, it must enter into a signed agreement with the Secretary of the Treasury guaranteeing that it has processes in place to verify citizenship of its customers. As no single central repository exists that businesses can use to directly check if a person is a US citizen, the proposal appears unworkable on its face. It will inevitably fall back onto

1 According to the Joint Committee on Taxation (JCT), this legislation would raise $8 billion USD over 2025 to 2029, 0.00037% of the total cost of this tax legislation over the same period, at $2.17 trillion from 2025 to 2029.

2 https://www.aei.org/technology-and-innovation/how-much-paperwork-how-little-privacy-for-the-innocent/

documentary verification, meaning that American citizens will need to carry sensitive personal information such as passports or social security card at all times. And it will create a substantial operational, training and compliance burden for financial institutions that provide remittance services, as they will need to obtain and verify this sensitive information and use it to make a determination of whether an individual is a US citizen or otherwise collect a tax from the individual.

- This new remittance tax would require American citizens to have to hand over sensitive personal information to private companies – including their social security number – and would compel financial institutions to collect, store, and share sensitive data with the federal government. Increased data collection could lead to a potential increase in the vulnerability of personal financial data.
- Specific identification method requirements for verification could also put undue burden on citizens and risks excluding certain Americans who may not be able to easily provide a passport[3] or birth certificate to prove their citizenship.

2. Places Undue and Excessive Tax Burden on U.S. Citizens and Other Hardworking Taxpayers Lawfully Present in the U.S.

Requiring that American citizens claim a credit in order to be exempt from this tax places an undue burden. Americans sending cross-border payments will either be forced into more complicated tax treatment or miss the tax credit when filing—a common result of poorly planned tax complications.[4]

3. Harms Anti-Money Laundering Efforts and Undermines the Administration's Fight Against Cartels and Illicit Activities

Taxing remittances will distort consumer behavior and will drive consumers toward unregulated, underground channels in an effort to avoid the added cost. This shift poses a direct risk to national security and financial integrity, undermining decades of regulatory progress. Banks and licensed money transmitters (which process the vast majority of remittance transfers) are already required to comply with the federal Bank Secrecy Act (BSA) and state anti-money laundering (AML) laws, which include (in the case of money transmitters) registration with the Financial Crimes Enforcement Network (FinCEN), related Know Your Customer (KYC) obligations, and requirements file reports of suspicious transactions (Suspicious Activity Reports or "SARs") and maintain records of transactions.

Driving transactions outside the regulated financial system compromises the ability of law enforcement to track illicit flows and prevent money laundering, human trafficking, and terrorism financing. These requirements will mean more cross-border payments sent from the U.S. are done through informal or possibly unlawful channels, outside of the well-established regulatory framework for processing these transactions and in ways that will be much harder to trace. This measure will increase financial crime and reduce transparency, as some U.S. citizens will be exploited as money mules, some of whom may also be victims of human trafficking. Criminals will pay U.S. citizens to send money abroad, try to steal identities in order to send money without the tax, and the use of unregistered money service businesses will increase. This measure will disincentivize the use of formal channels, allowing more money to flow to the cartels, and drug and human traffickers the Administration is trying to stop.

4. Increases Expenses and Compliance Burden for Companies Without Benefit

A tax in any amount will increase compliance costs for financial institutions, forcing them to either pass the costs on to consumers or reduce services. It would also increase the

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3 Only 51% of Americans hold a US passport, *see* https://www.usatoday.com/story/travel/news/2024/10/23/state-department-issues-record-us-passports/75794556007/

4 https://www.irs.gov/newsroom/nine-million-people-who-missed-expanded-tax-benefits-still-have-time-to-file

administrative burden for Treasury and other agencies tasked with enforcing the tax, diverting resources from more critical areas. A 2016 GAO report on Oklahoma's remittance law confirmed that similar policies led to decreased revenues and transaction volumes, and a shift toward informal, unregulated markets—undermining both financial security and public interest.[5]

Payments providers already are required by law to conduct necessary BSA/AML and KYC checks to ensure the safety of the financial system, and this legislation overcomplicates and adds unnecessary government bureaucracy. In practice, this measure makes payments providers federal tax collectors, extending the government's reach into personal financial services, while providing no clarity on what would be considered sufficient verification of U.S. citizens and nationals.

Forcing additional checks on customers that contribute nothing to the safety and soundness of the financial system will come at a significant cost to the thousands of financial institutions who support privacy-minded Americans, sole proprietors, service members and countless others sending cross-border payments. Ultimately, these costs will inevitably be transferred to American consumers, due to the increased cost of compliance.

4. Creates Regulatory Conflict and Disrupts Money Transmission Harmonization Efforts

Imposing a remittance tax introduces conflicting definitions and standards into an already complex regulatory environment. The Model Money Transmission Modernization Act (MMTMA), supported by the Conference of State Bank Supervisors (CSBS), aims to harmonize regulation of money transmitters across states. Any tax is inconsistent with this model and could create legal confusion, threatening uniform oversight across jurisdictions. As a related matter, remittance tax bills were introduced in roughly 15 state legislatures at the beginning of this year's legislative sessions. As of the date of this letter, most of these bills are dead (in fact or in practice) and it appears unlikely that any state will enact a bill this year. State legislatures have recognized that remittance taxes are bad policy, are inconsistent with the existing money transmission framework, and are in any case unlikely to generate any meaningful revenue (particularly compared to cost of administration) for the reasons summarized in this letter.

5. Poses a Threat to Livelihood and Operations of Small Businesses

Providers of remittance transfer services often operate through agent relationships with local retailers such as grocery stores, pharmacies, financial service centers such as check-cashing locations, and mom-and-pop businesses. These businesses greatly benefit from the foot traffic generated by customers seeking financial services and subsequently making additional purchases. In addition to the invasion of privacy and the requirement to hand over sensitive personal information in order to conduct a transaction, the remittance tax will also drive away customers because of the increase in costs—discouraging use of remittance services and therefore of these businesses generally, and therefore resulting in reduced sales, lower tax revenue, and even service discontinuation. The ripple effects of this burden could cause serious harm to the small business ecosystem that supports local communities and economies.

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Remittance services are not luxuries—they are essential to millions of families and small

[5] U.S. Government Accountability Office, International Remittances: Actions Needed to Address Unreliable Official U.S. Estimate, GAO-16-60, (Feb. 16, 2016), available at https://www.gao.gov/products/gao-16-60.[1] Federal Deposit Insurance Corporation, 2023FDIC National Survey of Unbanked and Underbanked Households, (Nov. 14,2024), available at https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report

businesses. A tax on remittances is not just regressive and harmful; it is counterproductive. This remittance tax provision in particular mandates a massive invasion of privacy by private businesses and the federal government on American citizens, creates undue tax burden for law-abiding Americans, reduces business revenue, complicates regulatory efforts, and hinders law enforcement.

For these reasons, we strongly oppose any legislation that would impose a tax on remittance services and urge the committee to reject this measure in its entirety. We remain available to discuss these concerns further.

Respectfully submitted,

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