May 8, 2025

The Honorable Jason Smith
Chairman
House Committee on Ways & Means
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Committee on Ways & Means
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

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) and the Financial Technology Association, (collectively, the “MSB Group”), we strongly urge lawmakers to refrain from including any tax on remittance transfers in the anticipated reconciliation bill. Such a measure would harm the most financially vulnerable consumers, undermine small businesses, disrupt critical financial regulations, and weaken law enforcement’s ability to combat illicit activity.

<u>Reasons for Opposition to Taxing Remittances</u>

1. Provides a Direct Blow to the Unbanked and Underbanked

Taxing remittances disproportionately burdens underbanked and unbanked populations who rely on money transmitters as lifelines. According to the FDIC, more than 14% of U.S. households are unbanked or underbanked, many of whom depend on services like money orders, prepaid cards, and cross-border transfers. These services are not luxuries—they are essential tools for paying bills, supporting family members abroad, and managing daily finances. A tax on remittances effectively penalizes those who can least afford it, eroding already limited funds and exacerbating economic inequality.

2. 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 foot traffic generated by customers seeking financial services and subsequently making additional purchases.

A remittance tax would raise costs and therefore discourage usage and, in turn, drive customers away from these businesses generally—potentially 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.

3. Undermines Law Enforcement and Harms Anti-Money Laundering Efforts

Taxing remittances will distort behavior and could 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. Licensed money transmitters (which process the vast majority of remittance transfers) are already required to comply with federal and state anti-money laundering (AML) laws, which include registration with the Financial Crimes Enforcement Network ("FinCEN") as required by the Bank Secrecy Act (BSA), related Know Your Customer (KYC) obligations, , and requirements to maintain records of transactions and file Suspicious Activity Reports (SARs).

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.

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 proposed tax or definitional changes could prove to be 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. The 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. Increases Expenses and Adds Burden for Companies Without Benefit

Any tax would increase compliance costs for money transmitters, forcing them to either pass the costs on to consumers or reduce services in affected states. It would also increase the administrative burden for state 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.

Conclusion

Remittance services are not luxuries—they are essential to millions of families and small businesses. A tax on remittances is not just regressive and harmful; it is counterproductive. It would endanger financial inclusion, reduce business revenue, complicate regulatory efforts, and hinder 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.

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Respectfully submitted,

Scott Talbott, EVP
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