MSBA
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VIA ELECTRONIC SUBMISSION (www.regulations.gov)

Internal Revenue Service
Attn: CC:PA:01:PR (REG-114499-25), Room 5503
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Re: Comments on Proposed Regulations Implementing Excise Tax on Remittance Transfers (REG-114499-25)

The Money Services Business Association ("MSBA") respectfully submits these comments in response to the Department of the Treasury ("Treasury") and the Internal Revenue Service's ("IRS") notice of proposed rulemaking regarding the excise tax on remittance transfers under section 4475 of the Internal Revenue Code.

MSBA is the largest trade association serving the non-bank money services industry. Its members include licensed money transmitters, bill payment providers, other financial services firms that facilitate the movement of money for consumers and small businesses, and banks that serve them. MSBA members support transparent, well-functioning remittance markets and regularly engage with federal and state regulators on issues affecting cross-border payments.

We appreciate the opportunity to provide these comments and thank Treasury and the IRS for considering the views of MSBA and its members.

MSBA members have worked to comply with the excise tax on remittance transfers since its effective date. While the proposed regulations provide important clarification regarding the operation of section 4475, several elements of the regulatory framework present significant operational concerns for the money transmission industry and the small businesses that provide crucial remittance services.

Specifically, and as further outlined below, MSBA requests that Treasury and the IRS:

1. Add the remittance tax to the list of excise taxes excluded from the semi-monthly deposit requirement;
2. Eliminate the remittance tax avoidance provision;
3. Provide that a remittance transfer is made only when the remittance is received by the recipient or deposited into the recipient's bank account, or allow providers to issue refunds when remittances are cancelled or incomplete;
4. Clarify that the remittance tax does not apply to provider-paid [non-cash] bonuses or rewards; and

5. Extend the transition relief provided by IRS Notice 2025-55 until at least January 1, 2028.

1. Add the Remittance Tax to the List of Excise Taxes Excluded from the Semi-Monthly Deposit Requirement

MSBA respectfully requests that Treasury and the IRS add the remittance tax to the list of excise taxes in Treasury Regulations § 40.6302(c)-1(e) that are excluded from the semi-monthly deposit requirement and limit remittance tax payments to the quarterly remittance of the tax as required by section 4475(b)(2). At a minimum and as requested below, the transition relief provided by Notice 2025-55 should also be extended until at least January 1, 2028.

Section 4475(b)(2) provides that the remittance transfer provider shall collect the tax and "remit such tax quarterly to the Secretary." The proposed regulations, however, require remittance transfer providers to make semi-monthly deposits of the remittance tax pursuant to the excise tax deposit rules under Treasury Regulations § 40.6302(c)-1.[1] The remittance tax is reported quarterly on IRS Form 720 (Quarterly Federal Excise Tax Return).

Requiring a deposit every two weeks will significantly disadvantage remittance providers who must collect these remittance taxes through extensive networks of often small retail agents. These agents collect and remit funds to the provider on an ad hoc basis. That collection is uneven and, when received, requires the reconciliation of transaction data across thousands of transactions that must be transmitted from retail systems, aggregated, and reconciled across multiple platforms. Determining deposit amounts and making deposits to avoid penalties in accordance with the general or safe harbor rules requires time and operational coordination. A semi-monthly deposit requirement significantly compresses this reconciliation process and will severely strain these cash-based businesses.

Eliminating semi-monthly deposits would not require the IRS to afford special treatment to remittance transfer providers. Today, the IRS does not require all excise taxes reported on IRS Form 720 to be deposited on a semi-monthly basis.[2] The excise taxes excepted from the semi-monthly deposit requirements, which include excise taxes on health insurance policies, fuels, and drugs, are listed in Form 720, Part II, and are paid when the return is filed.[3]

According to the Tax Policy Center, the primary sources of federal excise tax revenue are highway, aviation, tobacco, alcohol, and health related.[4] Other excise taxes are collected on telephone services, certain vehicles, ozone-depleting chemicals, and indoor tanning services.[5] None of these industries rely on decentralized cash collection through third-party retail agent networks to the same extent as cash-based remittance transfer providers. In many of these industries, taxes are collected through more centralized electronic payment and accounting systems and without comparable reliance on third-party retail agents. Cash-based money transmission is different. When the tax is "collected" by an agent, it may not actually be in the money transmitter's possession. The money transmitter must wait for its agent to remit the tax

[1] Proposed § 49.4475-1(c)(1).
[2] Treas. Reg. § 40.6302(c)-1(e)(1).
[3] *See* Instructions for Form 720 (rev. March 2026), https://www.irs.gov/instructions/i720.
[4] *What are the major federal excise taxes, and how much money do they raise?*, TAX POL'Y CTR. (Jan. 2024), https://taxpolicycenter.org/briefing-book/what-are-major-federal-excise-taxes-and-how-much-money-do-they-raise.
[5] *Id.*

to its bank accounts. Even if it is, funds are received on an uneven cadence throughout the month. Imposing biweekly remittance tax deposit obligations materially complicates this process. As a result, the remittance tax should be added to the list of taxes where biweekly submission is not required.

If the biweekly requirement is retained, the transition relief should be extended to at least January 1, 2028. In recognition of these complications and other challenges of complying with the new remittance tax, the IRS issued Notice 2025-55, providing transition relief to remittance transfer providers for the first three calendar quarters of 2026. This transition relief deems remittance transfer providers to satisfy the "reasonable cause" standard for relief from penalties that would otherwise apply to the failure to make semi-monthly deposits as long as certain conditions are satisfied.

Finally, we urge the IRS to consider the complexity of the remittance industry, which relies on thousands of businesses, many of which are quite small. In the Regulatory Flexibility Act ("RFA"), the IRS asserts that the new burden of collecting the remittance tax – something these agents have never done before – "would likely constitute a small change."[6] However, there is no evidence in the RFA to support this assertion. These agents typically run other businesses such as convenience and grocery stores and have no experience in collecting a remittance tax. Not only must the remittance transfer providers train the agents, but then agents must train their employees regarding the remittance tax. The remittance tax will also change how these agents collect and account for funds received from consumers. Requiring this to be done every two weeks is a significant burden.

2. Eliminate or Substantially Narrow the Proposed Tax-Avoidance Provision

The proposed tax-avoidance provision allows the IRS to recharacterize transactions if it determines that 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 remittance tax and includes examples involving certain transfers paid for with prepaid cards. The proposed factors for making this determination are instructive but leave significant ambiguity as to the circumstances in which this provision will actually apply and will be difficult to apply in practice for several reasons, including:

a. **The IRS's evasion concerns are misguided because the FinCEN prepaid access rule prohibits non-registered / non-KYC'd GPR cards from being used for international payments.** FinCEN's Prepaid Access Rule does not apply to a prepaid program if it does not permit "funds or value to be transmitted internationally."[7] Thus, to send funds internationally, registration is required for the issuer to begin the Know Your Customer process required by the Prepaid Access Rule.[8] To comply, issuers restrict cards that have not completed this process—*i.e.*, cards that have been sold in a retail location but not yet registered-- from being used for international payments. To the extent the IRS is concerned that consumers can send remittance transfers using

[6] *Id.* at 18806.
[7] 31 C.F.R. § 1010.100(ff)(4)(iii)(2)(i).
[8] 31 C.F.R. § 1022.210(d)(1)(iv) ("A money services business that is a provider or seller of prepaid access must establish procedures to verify the identity of a person who obtains prepaid access under a prepaid program and obtain identifying information concerning such a person, including name, date of birth, address, and identification number.").

prepaid cards without establishing their identity, that is not possible. Furthermore, to the extent a customer might obtain and register a GPR card to avoid the tax, that customer could just as easily obtain a bank account with a debit card because both require the issuer to verify the customer's identity. Since the GPR cards must be registered and the card issuer must complete the KYC process for each sender, avoidance is, practically, highly unlikely. Thus, there is no functional purpose for the proposed tax-avoidance provision.

b. **Prepaid cards typically involve commingled funds or funds loaded for general spending purposes.** Rather than a one-to-one load of funds that are immediately used in a remittance transfer (as the proposed example contemplates), consumers typically will use prepaid cards that are already loaded with funds to an agent location, perhaps load additional funds, and then send a transfer. Frequently, consumers load prepaid cards with their weekly paychecks to facilitate general spending, including remittance transfers, but without any specific intention of avoiding the remittance tax. Since the remittance provider has no insight into or knowledge of the amount of preexisting funds on a card or why a consumer is loading funds onto a card or using a card, there is no reasonable way for a remittance provider to determine whether the consumer's purpose could include avoiding the remittance tax even when the remittance provider facilities the loading of funds.

c. **Providers cannot reliably monitor agents' prepaid card sales activity.** Agents, who each run separate businesses, may sell prepaid cards as part of a larger suite of financial services available in their brick-and-mortar locations.[9] Remittance providers have little to no oversight over agents' businesses nor can providers contractually limit unrelated activities, including the sale of prepaid cards. If agents sold prepaid cards and those cards were used to fund remittance transfers, remittance providers practically would not know about these purchases. Indeed, disclosure of such separate transactions would likely violate customers' privacy rights under federal laws such as the Gramm-Leach-Bliley Act, which prevents financial institutions from sharing customer information with third parties.

d. **Remittance providers cannot reliably determine when prepaid cards are used or why they are used.** BIN-range data may provide some indication of a prepaid card, but such data is frequently inaccurate or insufficiently granular to establish with certainty that a particular transaction was funded with a prepaid card. Therefore, a remittance provider frequently will not even know when a consumer is using a recently purchased prepaid card to fund a transfer by the remittance provider or its agent.

e. **Tax avoidance is highly unlikely.** Consumers are likely to save little, if any, money by loading cash on a prepaid card in an effort to avoid the remittance tax. For example, one of the largest providers charges almost $4 to load cash

[9] In a typical provider-agent relationship, the scope of the agency relationship is limited to the provision of money transmission services. Other activities by the agent business are outside the scope of the agency relationship and, therefore, outside of the provider's purview.

onto a prepaid card, and cards often have initial purchase and monthly fees in addition to these load fees. These fees would quickly exceed the remittance tax most consumers are likely to pay. As a result, there is little incentive to establish a tax avoidance scheme since few if any consumers would actually save any money.

For these reasons, MSBA respectfully requests that Treasury and the IRS eliminate the proposed tax-avoidance provision as an unnecessary solution in search of a problem.

If the proposed tax-avoidance provision is not eliminated, it should be substantially narrowed to apply only to truly abusive and intentional tax avoidance schemes. Specifically, Treasury and the IRS should implement an active participation requirement. At a minimum, transfers should not be subject to recharacterization unless the remittance transfer provider actively initiated an abusive transfer, such as encouraging a sender to load a prepaid card with the exact amount of an immediately ensuring transfer.

Finally, if the IRS disagrees with the analysis above and is inclined to retain the tax, it should reduce the potential penalties when the anti-avoidance provision applies. Specifically, it should limit liability to whatever additional tax the IRS determines is due.

MSBA also thoughtfully contemplated whether Treasury and the IRS should establish clarifying thresholds for potentially abusive transfers so that the anti-avoidance scheme was focused on substantial efforts to evade the tax. Ultimately, MSBA determined that the tax-avoidance provision is unnecessary. MSBA is happy to work with Treasury and the IRS to evaluate whether there are evasion practices occurring and if so, how they might be stopped.

3. Provide That a Remittance Transfer Is Made Only When the Remittance Is Received by the Recipient

The proposed regulations provide that the remittance tax is imposed when a remittance transfer is "made," which occurs at the earlier of (i) initiation of the transfer or (ii) payment to the provider or its agent.[10] This means that if a transaction is subsequently cancelled, not delivered, or reversed due to error, the tax remains due even though no transfer actually occurred.[11] This will, practically speaking, result in the IRS collecting more tax than is due because the individuals making remittances are unlikely to claim refunds of the over-collected taxes from the IRS. If the tax did not "attach" until the transfer was completed (i.e., picked up by the recipient or deposited into the recipient's bank account), the amount of taxes collected would more closely match the amount of taxes due.

Treasury and the IRS should finalize the regulations to instead have the remittance tax attach only once funds are picked up by the recipient or delivered to the recipient's bank account. With such a change, consumers would no longer have to apply for and receive a tax refund from the IRS to recover taxes collected on nontaxable attempted transfers. In addition, such a change would more closely align the amount of remittance tax collected and the amount of remittance tax actually due.

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[10] Proposed § 49.4475-1(c)(2).

[11] Federal law allows consumers to cancel remittance transfers for 30 minutes and assert errors for 180 days.

Under EFTA, as implemented by the Remittance Transfer Rule (12 C.F.R. Part 1005, Subpart B or Regulation E), when no transfer occurs due to cancellation or error the provider must return funds to the sender.[12] However, while Regulation E mandates that the principal amount and fees be returned to the sender, it explains that providers need not return taxes if the provider does not itself receive a refund of the taxes.[13] While, theoretically, each consumer could apply for a refund from the IRS, practically speaking, this is highly unlikely because even if consumers are informed about their refund rights, it would be unduly burdensome for them to apply for a refund of a few dollars.[14] Instead, consumers are more likely to forego refunds, resulting in a significant overcollection of the remittance tax by the IRS.

Refunds and cancellations are not unusual occurrences. A 2019 report from the CFPB indicates that up to 6.4 percent of remittance transfers are either cancelled or involve an error.[15] Based on the IRS' estimate of $187 billion in annual cash remittances subject to the remittance tax, this could result in an overpayment in taxes of over $119 million annually.[16]

This result would occur under the proposed regulations. Section 4475 does not mandate that the tax attach so early nor do the remittance transfer definitions borrowed from Regulation E. While Regulation E does define a remittance transfer as "the electronic transfer of funds requested by a sender to a designated recipient that is sent by a remittance transfer provider," a remittance transfer does not actually occur if the funds are not received by the designated recipient or if an error occurs.[17] If preexisting federal law treats an undelivered remittance as an error rather than a transfer, the remittance tax also should not apply to such transfers. Were the IRS to change the timing of the tax attachment, consumers would receive full refunds when transactions were cancelled and would no longer need to seek a refund from the IRS.

Should Treasury and the IRS finalize the regulations as proposed and impose the remittance tax at the earlier of the initiation of the transfer or the payment to the remittance provider or its agent, remittance providers themselves should be permitted to issue refunds. As noted above, consumers are likely to forgo requesting refunds as it will be an unduly burdensome process for a small amount of money. Treasury and the IRS should allow remittance providers to refund the remittance transfer tax during the standard refund process. This will ensure consumers are made whole when remittance transfers are subsequently cancelled, not delivered, or reversed due to error. In granting remittance providers the ability to issue refunds directly to consumers, Treasury and the IRS should also allow remittance providers to obtain a corresponding credit or adjustment on IRS Form 720.

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[12] If funds cannot be returned, they may be subject to escheatment.
[13] 12 C.F.R. §§ 1005.33(c)(2)(ii)(B); .34(b).
[14] The proposed regulations estimate that the average remittance is between $290 to $740, so the average tax would be between $2.90 and $7.40. Excise Tax on Remittance Transfers, 91 Fed. Reg. 18797, 18801-02 (proposed Apr. 13, 2026).
[15] CONSUMER FIN. PROT. BUREAU, REMITTANCE RULE ASSESSMENT REPORT 6 (2018), https://files.consumerfinance.gov/f/documents/bcfp_remittance-rule-assessment_report_corrected_2019-03.pdf (explaining that up to 4.5 percent of transfers are cancelled and 1.9 percent involve an error).
[16] If we assume 6.4 percent of those transfers are cancelled or reversed, then $11.968 billion (6.4 percent of $187 billion) is not delivered and the tax on that amount is $119.68 million.
[17] 12 C.F.R. § 1005.33(a)(1)(iii) (explaining that "[t]he failure to make available to a designated recipient" is an error).

4. The Remittance Tax Does Not Apply to [Non-Cash] Bonuses or Rewards Provided by the Remittance Provider

In some instances, remittance providers may provide bonuses or discounts to consumers as an incentive or reward for their loyalty. For example, a remittance provider may have a program where, for every fifth remittance transfer the provider will add $10 to the transfer amount. These types of non-cash bonuses, which are provided as a marketing incentive by the remittance provider – and not the sender – are not subject to the remittance tax.

Section 4475(c) provides that the remittance tax applies only to a "remittance transfer 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."[18] Therefore, amounts that are not provided by the sender are not subject to the remittance tax and proposed section 49.4475-1(d)(3) exceeds the scope of Section 4475. The IRS should clarify that the remittance tax does not apply to non-cash payments, such as marketing bonuses.

5. Additional Transition Relief Is Necessary

Finally, considering the scale and complexity of remittance operations, MSBA urges Treasury and the IRS to provide additional transition relief. Implementing the collection and payment of the remittance tax will require extensive operational changes across the remittance ecosystem, including updates to transaction systems, receipts, accounting and reporting tools, and training materials across large retail networks of independent agents. Providers must also ensure that revised consumer receipts and disclosures comply not only with federal requirements but also with applicable state money transmission laws, some of which require regulatory review of updated forms. Because these changes must be implemented across large and decentralized retail networks, sufficient implementation time is critical to ensuring orderly deployment and minimizing consumer disruption. For these reasons, MSBA respectfully requests that Treasury, and the IRS provide an extended transition period for implementation of the remittance tax until at least January 1, 2028.

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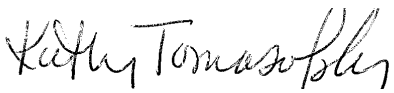
[18] Emphasis added.

MSBA appreciates Treasury's and the IRS's work in developing regulations implementing section 4475 and the opportunity to provide input on the proposed regulations. Addressing the operational issues described above will help ensure that the remittance tax can be implemented in a manner that is workable and equitable for remittance providers, retail agents, and the consumers who rely on these services.

We would welcome the opportunity to discuss these comments further and to provide additional information that may assist Treasury and the IRS as they finalize the proposed regulations.

Respectfully submitted,



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