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The OBBBA 1% Remittance Tax in 2026: Which Transfers Are Subject to It

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Executive Summary

- Beginning January 1, 2026, the One Big Beautiful Bill Act (OBBBA) applies a 1% federal excise tax to certain remittance transfers. Classification starts with two questions—who requests the transfer, and whether it serves primarily personal, family, or household purposes.
- For international families, founders, and executives, several payments to the same country do not necessarily receive the same treatment. The rule classifies a business payment to a foreign supplier and a personal remittance first by their nature and purpose—not by where the money goes or by the fact that it moves as a wire.
- When a transaction does qualify as a remittance transfer, the funding method changes the outcome. Cash, money orders, and cashier's checks trigger the 1% tax when the other requirements are met. Under §4475, certain direct withdrawals from financial accounts and debit or credit cards issued in the United States fall outside the tax.
- The operational review starts by separating personal or family transfers from business payments. The review then documents the sender, the purpose, and the funding method of each transaction to determine whether the 1% tax applies under Section 4475.

A founder with operations and family in Colombia authorizes three transfers from the United States in the same week. His company pays a Colombian supplier, he sends funds to cover family expenses, and a cashier's check funds another personal remittance. All three transactions end up in the same country, yet Section 4475 does not automatically treat them the same way.

Beginning January 1, 2026, the One Big Beautiful Bill Act (OBBBA) imposes a 1% federal excise tax on certain remittance transfers. The rule starts from a specific category—a transfer that a sender requests primarily for personal, family, or household purposes. Once that classification is set, the way the sender pays for the transfer determines whether the tax applies.

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Which Transfers Are Subject to the 1% Tax Under Section 4475

Section 4475 adopts a definition of remittance transfer tied to the federal electronic fund transfer framework. Under that definition, a remittance transfer is an electronic transfer of funds that a sender requests from a remittance transfer provider to send money to a designated recipient abroad. The definition excludes transfers of $15 or less and transfers whose primary purpose is to buy or sell certain regulated securities or commodities.

The tax analysis starts from that transaction and follows three questions in order:

1. **Who acts as the sender.** The sender is an individual who acts as a consumer in the United States or its territories and requests the transfer from the provider.
2. **What the transfer is for.** The sender must request the transfer primarily for personal, family, or household purposes. That test separates a consumer remittance from a transaction with a business purpose.
3. **How the transaction is funded.** Once a remittance transfer exists within that framework, the instrument or source that funds it determines whether the 1% tax applies.

When a company pays a foreign supplier as part of its business, the transaction does not start with a sender acting as a consumer for personal, family, or household purposes. Likewise, an individual who requests a transfer primarily for a business purpose does not become a sender under this rule just because they executed the payment personally.

A personal or family transfer that a sender requests through a remittance transfer provider does move on to the next level of the analysis.

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Cash vs. Bank Account: Why the Way a Remittance Is Funded Changes the 1% Outcome

Once the transaction qualifies as a remittance transfer and the sender acts primarily for personal, family, or household reasons, the funding method decides the 1% tax. Section 4475 taxes remittances paid with cash, money orders, cashier's checks, and other similar physical instruments, as Treasury determines.

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The same section treats a transfer differently when the funds come directly from certain accounts at financial institutions covered by the rule, or when a debit or credit card issued in the United States funds the transaction.

Calling a transaction a wire does not settle whether it owes the tax. The term wire only describes how the funds move. Under §4475, the question is how the sender funded the remittance.

Remittance Funding Method	Treatment Under §4475	Basis
Cash	Subject to the 1% tax when the other §4475 requirements are met	Statute
Money order	Subject to the 1% tax when the other requirements are met	Statute
Cashier's check	Subject to the 1% tax when the other requirements are met	Statute
Direct withdrawal from a financial account that meets the §4475(d) conditions	The remittance is excluded from the tax	Statute
Debit or credit card issued in the United States	The remittance is excluded from the tax	Statute
Traveler's check	The proposed rules would add it to the taxable instruments	Proposed regulations
ACH transfers, personal checks, business checks used directly as payment, and general-use prepaid cards	The proposed rules do not include them among the instruments that trigger the tax, subject to the anti-avoidance rule	Proposed regulations

The difference between the statute and the proposed rules should stay in view throughout the analysis. Treasury and the IRS proposed in REG-114499-25 a list of taxable instruments limited to cash, money orders, cashier's checks, and traveler's checks, along with an anti-avoidance rule for certain transactions designed around instruments that would normally fall outside the tax.

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The proposal also addresses ACH transfers, personal or business checks, and general-use prepaid cards, but those points remain proposed rules, not final regulations. Until final regulations are in place, Treasury and the IRS allow collectors and taxpayers to rely on the proposed rules for transfers made after December 31, 2025, provided they apply them in their entirety and in a consistent manner.

The issue goes beyond cash versus wire. For a remittance that already meets the §4475 requirements, the useful question is which instrument or source of funds reaches the provider, and how the applicable rule treats that funding method.

Same Country, Different Result: Wire, Foreign Supplier Payment, and Cashier's Check

A business owner in the United States may run operations in Colombia and, at the same time, have family obligations there. In a single week, funds may leave for Colombia through a corporate wire, a personal remittance from a bank account, and another personal remittance paid with a cashier's check. The destination is the same; the classification under §4475 is not.

In the first transaction, the company sends a wire from its business account to pay a Colombian supplier for inventory or services. The payment serves a commercial purpose, and the entity that orders it is not a consumer acting primarily for personal, family, or household purposes. Money leaving the United States does not turn an ordinary supplier payment into a consumer remittance transfer subject to §4475.

In the second transaction, the founder personally requests a transfer to cover family expenses in Colombia, and the funds come directly from an account that meets the requirements of §4475(d). The transaction does enter the remittance transfer analysis, but its funding falls within the statutory exclusion for certain direct withdrawals from financial accounts.

In the third transaction, the founder again sends money to Colombia for a personal or family expense, but this time he hands a cashier's check to the remittance transfer provider. Section 4475 expressly lists that instrument among the funding methods subject to the tax, provided the other requirements are met.

These three transactions show why classifying by destination country, amount, or payment label falls short. A business payment, a personal remittance funded from an account, and a personal remittance paid with a cashier's check can all go to Colombia, Mexico, or any other foreign country. Still, some owe the 1% tax and

others do not, because §4475 looks first at the nature of the transfer and then at how it was funded.

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Are Your Personal and Business Transfers Getting the Right Classification Under Section 4475?

In an international structure, the decisive factor is not that several payments leave the United States for the same country—it is keeping them from being lumped together. Personal or family transfers need to be separated from business payments first. Only then does it make sense to look at how each one was funded and whether the 1% tax under §4475 applies.

At **Guillen Pujol CPA Group**, we start this review from the facts of each transaction—who orders the payment, for what purpose, from which structure, and how the funds are sourced. That classification helps keep different transactions from falling under a single conclusion just because they share a recipient, country, or transfer channel.

An initial session lets us understand your structure and the types of payments involved before we define the scope of any technical analysis. The conversation is exploratory; it helps determine what information needs review and whether a specific proposal for your case makes sense.

[Request your evaluation session]

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