

REMITTANCE TAX

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**ADVANCING AMERICAN
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TOPLINE: The One Big Beautiful Bill (OBBB) established a 1% excise tax on remittances out of the U.S. to persons in other countries.

BACKGROUND: Pew Research estimates that in 2023 there were [14 million](#) illegal immigrants living in the United States. That figure exploded during the presidency of Joe Biden whose administration failed to secure the border and enforce the country's immigration laws. The Trump Administration's border policies have since stemmed the flow of new illegal immigrants into the country.

Many immigrants (legal and illegal) remit some of the money they earn or receive in the U.S. to relatives abroad.

What OBBB Did:

- [Imposed](#) a 1% excise tax on remittance transfers such as cash, money orders, and cashier's checks sent to people in other countries, beginning in 2026.
 - The tax applies to traditional person-to-person cash wiring services like Western Union and Remitly.
 - The tax doesn't apply to U.S. issued debit or credit card payments or funds sent from regulated U.S. banks or credit unions, or certain other firm and organization types listed in [26 U.S.C. § 5312\(2\)](#).
 - The tax applies to the sender of the funds and is collected by the service provider who transfers the funds.
 - The tax applies irrespective of citizenship or immigrant status.

Why It Matters?

- There were nearly [\\$56 billion](#) in remittances from the U.S. to Mexico in 2022, according to the Dallas Fed.
- Remittances were more than [20%](#) of the 2023 national GDP of some countries like Honduras and El Salvador, according to World Bank estimates.
- A 2008 Census Survey [showed](#) that 27% of households with at least one foreign-born member sent remittances, compared to 1% of other households.
- However, this includes U.S. citizens sending gifts or support to family living abroad.

Where Can I Find the Changes? OBBB Section [70604](#); [26 U.S.C. § 4475](#).

BOTTOMLINE: The remittance tax isn't airtight. Illegal immigrants who transmit money out of the U.S. can avoid the tax, and the higher the tax is, the more incentive they'll have to do so. The tax also captures some unintended transactions, like U.S.-born parents wiring funds to a child studying abroad.

