

MYTH VS. FACT: State Remittance Taxes

Alabama: [HB 585](#)

MYTH: *Alabama’s proposed remittance tax mirrors federal law and does not create a patchwork of regulatory requirements.*

FACT: HB 585 does not mirror federal law. Its reporting thresholds, exemptions, and reporting timelines diverge from those established under the One Big Beautiful Bill Act and existing federal standards, and would require amendment to align with the federal framework. Rather than complementing federal policy, HB 585 layers a new state-level 1.5% fee on top of the federal 1% excise tax, compounding costs on the same lawful income. For cash-funded transfers specifically, senders face **triple taxation**: payroll and income taxes already paid on their earnings, the federal 1% excise tax, and now Alabama’s 1.5% fee on top. The bill also creates a parallel state-level reporting regime administered by the Alabama Securities Commission with thresholds and timelines that conflict with existing federal standards, fracturing a nationally uniform system into a **patchwork of overlapping and duplicative obligations** for providers and consumers.

MYTH: *Remittances are a regulatory blind spot that lack meaningful oversight.*

FACT: Remittances are among the most heavily supervised financial activities in the U.S. Licensed money services businesses (MSBs) are subject to robust and comprehensive anti-money-laundering (AML) requirements under the federal Bank Secrecy Act (BSA) and FinCEN. Providers must maintain **customer identification programs, conduct sanctions screening, monitor transactions, retain records, and file Suspicious Activity Reports (SARs)**. At the state level, Alabama already requires MSBs to be licensed, examined, and supervised by the Alabama Securities Commission, operating under the same federal AML framework used nationwide. Layering an Alabama-specific tax regime on top of a nationally uniform AML system does not close gaps. It fragments compliance, diverts resources away from real risk monitoring, and weakens the very framework law enforcement relies on today.

MYTH: *A remittance tax will help law enforcement by improving visibility into cross-border financial activity.*

FACT: HB 585 reduces visibility by pushing transactions out of regulated channels and into informal ones. Higher costs and added friction drive users away from licensed providers — and once activity leaves the regulated system, law enforcement visibility is lost. The U.S. Government Accountability Office has found that similar state-level remittance taxes reduced use of regulated providers and risked pushing transfers into “unregulated transfer methods.”¹ The Financial Action Task Force has likewise warned that informal networks are far more vulnerable to money laundering, sanctions evasion, and terrorist financing.² Licensed money transmitters provide law enforcement with **audit trails, transaction monitoring, and Suspicious Activity Reports**. Informal networks provide none of these.

¹ U.S. Government Accountability Office, “International Remittances: Actions Needed to Address Unreliable Official U.S. Estimate,” GAO-16-60 (Washington, D.C.: January 2016), <https://www.gao.gov/products/GAO-16-60>

² [FATF Recommendations](#), February 2025, Recommendation 14 and Interpretive Note.

MYTH: Fees, thresholds, or refunds make this tax modest, easy to administer, and narrowly targeted.

FACT: HB 585 applies to **all senders** using regulated channels for legitimate, everyday purposes — military families, missionaries, parents paying tuition or medical expenses, grandparents supporting relatives, and small businesses meeting obligations abroad. Although the bill includes an income tax credit, it provides little practical relief. The credit is non-refundable, cannot be carried forward, and requires retaining and submitting receipts for every transaction. Because the fee is paid at the point of transfer but the credit is not realized until tax filing months later, lower-income families bear an immediate out-of-pocket cost with no guarantee of meaningful relief. For many users, this structure functions as a significant and recurring surcharge on lawful activity for as long as the law remains in effect.

MYTH: HB 585 simply strengthens oversight without raising privacy or surveillance concerns.

FACT: HB 585 expands state-level data collection without improving AML enforcement. Licensed providers already collect and safeguard the information regulators need under existing federal compliance systems. Creating a parallel state reporting regime expands the amount of sensitive financial data handled by state agencies and private businesses, increasing exposure to data-security risks and enabling state-directed tracking of lawful activity despite no allegation of wrongdoing. Without clear limits or safe harbors, the framework invites over-collection of sensitive data, inconsistent application, and denial of service — eroding trust in regulated financial services.

MYTH: These proposals will not meaningfully affect small businesses, charities, or lawful consumers.

FACT: HB 585 **shifts compliance costs, data-handling risk, and enforcement exposure onto small businesses, charities, and everyday Alabamians.** Licensed MSBs and their local partners — including grocery stores, pharmacies, and retailers — would bear the practical burden of collecting the fee, posting mandated notices, and meeting quarterly remittance requirements, all while facing audit and penalty risk administered by the Alabama Securities Commission. Small businesses paying overseas suppliers and charities supporting work abroad are also directly affected by the fee on international payments.

The bill also falls particularly hard on Alabama's military community and students. Junior enlisted and lower-income military households are disproportionately affected, as the fee applies to routine financial transfers supporting deployed service members. Deployed service members stationed on U.S. installations overseas may be treated as "foreign recipients" for fee purposes, and recurring transaction fees compound over time during extended deployments. Students studying or paying tuition abroad face similar burdens on routine transfers.

As regulated services become costlier and harder to access, law-abiding residents face higher costs, delays, or denial of service for routine transactions, **weakening local commerce and reducing state and local tax revenues**, particularly in rural and underserved communities.