



Splitting Federal Income Tax Refunds

Important Information for U.S.
Financial Institutions



Visit www.irs.gov for more information.

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More choices for direct deposit of income tax refunds including the purchase of Savings Bonds

Taxpayers have more choice and flexibility for direct deposits of their federal income tax refunds. They can directly deposit their refund (or part of it) to one or more accounts at a bank or other financial institution in the United States, or they can buy up to \$5,000 in paper series I savings bonds.

Taxpayers can continue to use the direct deposit line on Form 1040 to electronically send their refunds to one account. IRS Form 8888, *Allocation of Refund (Including Savings Bond Purchases)* is required to split their refunds into more than one account or purchase savings bonds. Taxpayers can buy bonds for themselves or others, including children or grandchildren.

This gives taxpayers more options for managing their refunds — whether for immediate use or future savings — teamed with the speed and safety of direct deposit. It's a win-win.

You can help your customers understand their choices, maximize their direct deposit options and ensure their funds arrive as intended by:

1. Informing your customers about your guidelines for accepting direct deposits.

The IRS will deposit a refund to any checking or savings account that is in the taxpayer's name. In the case of refunds on jointly filed returns, the IRS will deposit the refund into an account of either or both spouses. For example, the IRS will deposit a joint refund into an individual retirement account of one spouse. If you place restrictions on the types of accounts or ownership for which you accept direct deposits, please inform your customers.

2. Ensuring your customers have correct account and routing number information and urging them to double-check the accuracy of account and routing information entered on their returns.

The IRS assumes no responsibility for taxpayer errors in account or routing information.

- If the taxpayer omits a digit in the account or routing number of an account and the number does not pass IRS' validation check, IRS will send a paper check for the entire refund.
- If a taxpayer incorrectly enters account or routing information and the financial institution returns the funds to the agency, the IRS will re-issue that portion of the refund as a paper check.
- If a taxpayer incorrectly enters account or routing information resulting in a deposit to another person's account, the taxpayer must take corrective action through the respective financial institution to recover their funds.

3. Encouraging customers to communicate with you about direct deposits to their individual retirement arrangements.

As with all IRA deposits, the account owner is responsible for informing their IRA trustee of the year for which the deposit is intended and for ensuring their contributions do not exceed their annual contribution limitations. Federal income tax refund direct deposits will not indicate an IRA contribution year. IRS instructions will stress taxpayers' responsibilities in communicating with their IRA trustees and advise them that, unless they provide advance notification, their trustees can assume the deposits are for the year in which the deposit is made.

Speed, safety and choice — with direct deposit you can have it all! Split your refund among as many as three accounts.