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From: Hunt, Alexander T. [<mailto:Alexander.T.Hunt@omb.eop.gov>]

Sent: Friday, October 06, 2006 5:06 PM

To: Michael.Robinson@do.treas.gov; Robert.Dahl@do.treas.gov

Cc: Richard.Carro@do.treas.gov

Subject: FW: Comments on IRS Form 8888

I received these comments from one of our budget examiners. When would IRS be able to provide responses?

Thanks.

1. Form 8888 needs a new title. The current title leads one to think that everyone doing direct deposit needs to do Form 8888. How about, "Refund Deposited to More Than One Account," or "Refund Split Between Two or Three Direct Deposit Accounts."

We are changing the title to "Direct Deposit of Refund to More Than One Account."

2. The first paragraph under Purpose of Form refers to Form 8379, but doesn't give the form title. It should say, "You cannot have your refund deposited into more than one account if you file Form 8379, Injured Spouse Allocation."

We are adding the title of Form 8379.

3. The first "Tip" reads that "IRS is not responsible for a lost refund if you enter the wrong account information..." This should be changed to a "Caution."

We are changing the tip to a caution.

4. The first item under Specific Instructions says, "If you file a joint return and you complete and attach Form 8888, you are appointing your spouse as an agent to receive that refund." This should be worded in a simpler way or an example should be provided.

We are changing the second clause of the sentence to read "you are allowing your spouse to receive the refund on your behalf."

5. The instructions do not directly explain that taxpayers cannot split an overpayment between direct deposit(s) and a refund check. In the section Lines 1a, 2a, 3a, the last sentence states that the total of the three lines must equal the refund amount. To make it clear add a sentence that says something like, "A taxpayers who directly deposits any amount of refund, does not have the option of receiving a refund check."

Under "Purpose of Form," we are adding a sentence that reads, "If you file Form 8888, you cannot choose to get any part of your refund as a check."

6. The Individual Retirement Arrangements (IRA) section discusses that deposits to IRAs for the tax year of the tax return must be made by the return due date. A further reminder should be added that such returns must be filed well before the return due date to avoid losing the IRA deduction benefit. For example, "Caution! If you are making a deposit to your 2006 IRA account, you must file your return well before April 16, 2007, to allow time for processing and depositing your refund."

We presently tell taxpayers that they must verify that the deposit was actually made to the account by the due date of their return. We cannot add further instructions to file early because filing early or by a certain date does not guarantee that a deposit will be made timely. This is especially true if a hold, such as an EIC hold, is placed on the refund, or if some or all of the refund is offset.

7. The section Changes in Refund Due to Math Errors or Refund Offsets explains the rules for refund increases and decreases. Why are the rules different for offsets to FMS accounts? It would seem that taxpayers splitting a refund would prefer to be fairly assured of the exact deposit amount for one of accounts. This is particularly important when one of the accounts is an IRA. What would be needed to be done to change FMS rules for deducting offsets so that it is consistent with how all other decreases and increases are made? This seems like an arbitrary system and may cause confusion for taxpayers.

Offsets for other than past-due federal income tax are made by the FMS. The IRS provides the FMS with the information it needs to make the direct deposit, namely, the routing number, account number, and type of account. The FMS rules are those of the Federal Reserve. They govern payments throughout the Federal Reserve system. Nothing can be done about them. They cannot be changed.

8. In the section titled "Other offsets," is it necessary to name the "Treasury Department's Financial Management Service (FMS)." Most people don't know what FMS is. Couldn't it just say "the Treasury Department?" The instructions should list examples, such as, "If you owe other past-due amounts, such as child support or a student loan, that are subject to offset by the Treasury Department..."

We believe it is helpful to name the FMS. Identifying just the Treasury Department would cause confusion because the IRS is also part Treasury, and those taxpayers who care about it would not be aware of which entity is making the offset. However, we did move the list of offsets done by FMS to the specific discussion of "Other offsets" in order to clarify the roles.

9. How does IRS insure that all direct deposits are going to accounts in the name of the tax filer? What is IRS's enforcement mechanism to prevent split refunds to other individual's accounts?

The IRS is not privy to taxpayers' bank account information. It relies on taxpayers to report their routing and account numbers correctly, and on banks and financial institutions to verify incoming deposits.

10. Can IRS tell whether the deposit goes to a savings or a checking account without the check of the boxes?

No.

11. Are the "checking" and "savings" boxes essential for some financial institutions that only assign an account number per customer, then rely on seeing the account type to route clients' funds appropriately?

The boxes are essential because some financial institutions assign only one account number. Account designations are required by FMS to deposit through the ACH system.