

New in 2007: Split Refunds

The 2007 filing season features, for the first time, the opportunity for taxpayers to divide their refunds between two or three different accounts. The 'Split Refund' program is new to the tax filing process in 2007, and allows taxpayers to put some of their refund into savings accounts, and some into checking. The accounts may be held by as many as three different U.S. financial institutions, including banks, mutual funds, brokerage firms or credit unions.

What are the advantages of 'Split Refunds'?

- **Convenience.** As a taxpayer, you may select up to three accounts and decide the amounts to be deposited into each. The program uses direct deposit, allowing you to receive the refund with greater quickness and security than a mailed check.
- **Savings.** The split refund program makes it easier for you to save a portion of your refund. You can decide in advance to place a portion of your refund into your savings account, instead of receiving one large payment from the IRS and splitting it up yourself. You can also elect to have a portion of your refund sent to your individual retirement account (IRA), health savings account, or education savings account.

You should be aware of the following:

- **Limited Availability.** The ability to do a split refund was not included in popular tax filing programs such as TurboTax or H&R Block's TaxCut. If you are having your return prepared for you, you should specifically request a split return.
- **Account Restrictions.** Split refund payments are only made by direct deposit, and not all accounts are able to receive direct deposit payments. You should first consult your financial institution to confirm that their accounts are eligible.
- **Joint Return Limitations.** Not all financial institutions allow joint refunds to be deposited into individual accounts. Check to see if yours allows such deposits.
- **IRA Contribution Issues.** You may need to submit a formal request to your financial institution, asking that your tax refund be counted as a 2006 IRA contribution. Most financial institutions will initially count the refund as a 2007 contribution; some may not allow it to count as a 2006 contribution. You may also have problems if you have already reached the annual cap on IRA contributions.
- **Routing Number Problems.** If you file for a split refund, you should take extra care to include the correct bank routing number on your forms. If any of the bank information provided is incorrect, the IRS will cancel the direct deposit and instead mail you a check for the full refund.

How do you claim a split refund?

- You may apply for a split refund by completing your tax return as usual, and including a completed Form 8888, *Direct Deposit of Refund to More Than One Account* along with your Federal Income Tax Return. Form 8888 is available on the IRS website, along with detailed information on the program.

More information about the 'Split Refund' program is available at the IRS website <http://www.irs.gov/individuals/article/0,,id=164570,00.html>.

Form 8888, *Direct Deposit of Refund to More Than One Account*, is available at the IRS website <http://www.irs.gov/pub/irs-pdf/f8888.pdf>.