

**MEMO# 20326**

August 29, 2006

## **Institute Letter to Treasury on Split Refund Project; IRS Releases Draft Form 8888**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20326] August 29, 2006 TO: PENSION COMMITTEE No. 28-06 PENSION OPERATIONS ADVISORY COMMITTEE No. 27-06 TRANSFER AGENT ADVISORY COMMITTEE No. 58-06 RE: INSTITUTE LETTER TO TREASURY ON SPLIT REFUND PROJECT; IRS RELEASES DRAFT FORM 8888 The Institute filed the attached letter with the Department of Treasury and the Internal Revenue Service regarding their split refund project to allow taxpayers to direct the deposit of their tax return to up to three accounts (including an IRA), using a new Form 8888.1 The Institute's letter is in follow-up to a meeting in late June attended by Institute members and staff with Treasury and IRS officials. The letter reports the results of an informal survey the Institute conducted regarding members' capacities to accept direct deposit of income tax refunds. The letter then makes a number of recommendations regarding the split refund project: • Treasury should delay modifying the rules regarding the deadline for prior-year IRA contributions until the financial services industry and the IRS gain some experience with split refund deposits to IRAs. • Treasury should provide clear guidance on how IRA custodians and trustees should report IRA contributions when the taxpayer has not indicated to what year a contribution relates. • The instructions to new Form 8888, and the rules IRS and the Financial Management Service uses when there is a change to the refund amount, should be designed to minimize problems with IRA contributions. 1 See Memorandum to Pension Members No. 40-06, Tax Members No. 20-06, Operations Members No. 13-06, and Transfer Agent Advisory Committee No. 37-06 [20081], dated June 2, 2006. 2 IRS has released a draft copy of the Form 8888.2 The draft form reflects many of the suggestions the Institute made to Treasury and IRS officials in our meeting and reiterated in our letter. Comments on draft Form 8888 are due by September 24. The Institute plans to submit comments on draft Form 8888, reiterating the form-related comments in our letter and making any additional suggestions members believe need to be made. Please contact the undersigned (mhadley@ici.org or 202-326-5810) by September 8 if you have comments on the draft Form 8888 that are not reflected in our letter. Michael L. Hadley Assistant Counsel Attachment (in .pdf format) 2 A copy of draft Form 8888 is available at <http://www.irs.gov/pub/irs-dft/f8888--dft.pdf>.

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