

MEMO# 20252

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Draft Institute Comment Letter on IRS Split Refund Project

© 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. [20252] August 8, 2006 TO: PENSION COMMITTEE No. 26-06 PENSION OPERATIONS ADVISORY COMMITTEE No. 25-06 TRANSFER AGENT ADVISORY COMMITTEE No. 52-06 RE: DRAFT INSTITUTE COMMENT LETTER ON IRS SPLIT REFUND PROJECT Attached for your review is a draft comment letter to the Department of Treasury and the Internal Revenue Service regarding the split refund project. This initiative will allow taxpayers to split the electronic direct deposit of their tax refunds to multiple accounts and to designate an IRA as one of the recipients. The letter is in follow-up to a meeting that Institute members and staff had with Treasury and IRS on June 28. The letter begins by supporting the goal of increasing opportunities for Americans to save for their future. The letter reports the results of an informal survey of Institute members regarding capabilities to accept direct deposit of tax refunds. The letter then makes a number of suggestions: • No change should be made the rules regarding the deadline for prior year IRA contributions, which under current rules must be received by the IRA custodian or trustee (or postmarked) by April 15, at least not for the first year that split refunds are available. The letter points out the operational issues that need to be worked out if the deadline were to be extended. • Treasury should provide guidance on the treatment of IRA contributions received between January 1 and April 15 where the IRA owner does not provide instructions as to the year the contribution relates. • IRS should not restrict the types of accounts that can accept direct deposits. • The instructions to new Form 8888 should be drafted so as to reduce the chances of error by the taxpayer. 2 • IRS and the Financial Management Service should coordinate the rules for applying offsets to income tax refunds. Please provide any comments you have on the letter to Mary Podesta (202/326-5826 or podesta@ici.org) or Michael Hadley (202/326-5810 or mhadley@ici.org) by Monday, August 14. Mary S. Podesta Senior Counsel - Pension Regulation Attachment (in .pdf format)

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