

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Direct Deposit Refunds Top \$100 Billion; Now They Can Be Deposited In Up To Three Accounts

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WASHINGTON — For millions of Americans, the refund check is no longer in the mail; it's in the bank.

According to the Internal Revenue Service, direct-deposit refunds soared over the \$100 billion mark last week as a growing number of taxpayers are choosing the speed and convenience of direct deposit, rather than receiving a paper check.

“At the halfway point, the filing season is proceeding smoothly,” said IRS Commissioner Mark W. Everson. “There are a couple of noteworthy items so far. Taxpayers are choosing direct deposit of refunds at a record pace. Electronic filing has increased over last year. In addition, I want to encourage people to take advantage of the telephone excise tax refund if they are eligible. Far too many people who qualify for this special refund are not claiming it.”

As of March 2, 35.6 million taxpayers had chosen to have their refunds deposited directly into a savings or checking account this year, up 5.2 percent over last year at the same time. These direct-deposit refunds totaled \$101.5 billion, an 8.7 percent increase over last year at this time.

In the past, taxpayers were only allowed to designate one bank account for their direct-deposit refund. But this year for the first time, taxpayers can split their refunds among up to three accounts held by as many as three different U.S. financial institutions. Though most people are still opting to use just one account, about 37,000 taxpayers have, thus far, taken advantage of the new split refund option.

Because split refunds give taxpayers more choices for managing their money, the IRS urges taxpayers who have not yet filed their return to consider this new option. Split refunds offer taxpayers the opportunity to build assets by, for example, sending part of their refund to one account for immediate needs and another part to a savings or investment account for future needs.

Banks, mutual funds, brokerage firms or credit unions are all eligible to receive direct deposits. Before making this choice, however, check to see whether the financial institution accepts direct deposits for the type of account chosen.

— More —

To split a refund among two or three different accounts or financial institutions, fill out new Form 8888, Direct Deposit of Refund to More Than One Account. Alternatively, taxpayers who want to continue electronically sending their refund to just one account can do so by filling out the direct-deposit line on their regular income-tax return.

Direct deposit is available to taxpayers who file electronically, as well as those who submit paper returns. Those who choose direct deposit get their refunds at least a week sooner, and direct deposit eliminates the chance of a lost, stolen or undeliverable refund.

Also overall electronic filing has increased by more than 4 percent since last year. In fact, 76 percent of all returns have been electronically filed so far this tax filing season, compared to 73 percent for the same period last year.

People are also visiting the IRS Web site — IRS.gov — in record numbers. The IRS has recorded almost 76 million unique visits to IRS.gov this year, up from almost 70 million for the same period last year, an increase of 9 percent.

In addition, this year's filings show about three in 10 tax returns are not requesting the one-time telephone tax refund. Although some of these taxpayers may not be eligible, others may qualify and not know it. The IRS urges taxpayers to check their eligibility for this special refund by visiting the Telephone Excise Tax Refund section on IRS.gov.

The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. Federal officials also authorized a one-time refund of the 3 percent federal excise tax collected on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006. The tax continues to apply to local-only phone service.

Of those requesting the telephone tax refund, 99 percent are choosing the standard amount, and the rest are basing their request on the actual amount of tax paid. The standard amount ranges from \$30 to \$60 and is based on the number of exemptions a taxpayer is eligible to claim on their return. Alternatively, taxpayers can request a refund, based on the tax shown on their phone bills and other records.