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Tax Practice: IRS: Three-Check Limit for Online Refunds Into Single Account May Reduce Tax Fraud

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Tax practitioners should be aware that under new revisions to Circular 230, IRS computers have been reprogrammed to limit to three the number of refund checks that can be deposited into the same account electronically, agency officials said.

In an effort to curb tax fraud, the Internal Revenue Service has implemented several new programs to stem identity theft, including the new limits on the number of refunds that can be electronically deposited to the same bank account, John Dalrymple, IRS deputy commissioner of services and enforcement, said Aug. 19 at the 2014 IRS Nationwide Tax Forum.

The IRS has identified several tax return preparers attempting to serve as bankers for clients or taking fees from taxpayers refunds, Dalrymple said. "We've identified about 4,400 personal accounts held by tax preparers where multiple refunds were deposited," Dalrymple said. "We're putting a stop to that too."

IRS Office of Professional Responsibility Director Karen Hawkins said electronic checks for the fourth and any subsequent refund requests for that account will be frozen and paper checks will be issued. She said practitioners should be sure to inform clients such as family groups ahead of time.

Dalrymple said that the IRS has made progress in enforcing the tax code in recent years. In 2013, the agency suspended or rejected 5.7 million suspicious returns totaling almost \$18 billion. In the current tax year, through the end of June 2014, the agency stopped 3.9 million suspicious returns and opened almost 900 new investigations into fraud schemes related to identity theft.