

IRM PROCEDURAL UPDATE

DATE: 06/15/2016

NUMBER: wi-03-0616-1071

SUBJECT: Manual Refund into a RAL/RAC account

AFFECTED IRM(s)/SUBSECTION(s): 3.17.79.6.4.2

Change(s):

IRM 3.17.79.6.4.2(10) b - Updated third sentence to reflect "in the same processing year".

10. Manual Refund Units will verify the RTN and DAN (Checking or Savings) in Section 1, Box 11, with the supporting credit source documentation.

Supporting documentation includes:

- a. Proof of hardship to support issuing as an ACH/DD manual refund, e.g., Eviction Notice (Court Papers signed by presiding Judge), Official Notice (from water, electric or gas company), Medical Emergency (Physician's statement).
- b. When requesting a manual refund into a RAL/RAC account or a pre-paid debit card, you must provide proof (letter/statement from bank or voided check) that the account exists and that it is the account of the taxpayer. A RAL or RAC are contracts between the taxpayer and financial institutions (via tax preparer). Ownership of these accounts can only be verified on an originally filed return and lose their validity after the issuance of the original requested refund in the same processing year. Therefore, Accounting will not honor subsequent refunds into these types of financial accounts.

Possible fraud issues may exist if documentation cannot be provided that the account belongs to the taxpayer(s). In this case, the refund must be issued as a paper check on Form 5792.

If the refund request is the original refund of an electronically filed return a TRDBV print must be provided with the manual refund request to allow verification of the Routing and Account number on the originally filed return, along with verification the account still exists and belongs to the taxpayer(s). See IRM 21.4.4, Manual Refunds.

NOTE: If the taxpayer files MFJ (FS2) then account information must be provided that shows the account reflects both names, unless the filing status is MFS (FS3). As a safeguard against Fraud and other security issues, a signed statement by the other spouse does not verify to IRS that (s)he is the joint taxpayer listed on the account. **DO**

NOT ACCEPT SIGNED STATEMENTS from taxpayer. Possible fraud issues may exist. If documentation can not be provided that the account belongs to both taxpayer(s) the refund will be issued as a paper check on Form 5792.

- c. ACH/Direct Deposit Form 3753 manual refund requests submitted to Accounting Operations must include the 3rd party verification of the hardship (e.g., a copy of the eviction or utility shut-off notice).

EXCEPTION: If 3rd party verification is not present, look for or request a signed statement by an LTA verifying that the hardship exists. The signed statement must be attached to the manual refund request (this is in addition to the manual refund being signed by an LTA). Maintain copy of refund document and statement in audit file.

Remarks block on Form 3753 must indicate Form 911 or hardship determination. Requests without appropriate backup documentation or remarks stating the 911 hardship condition, will be issued as a paper check (3-5 days).

NOTE: When a RAL is denied, the deposit account on the original return will convert to a RAC. CC TRDBV will not update or reverse current information. Accounting will deposit the refund into the account listed on the original return. See bullet (b) above.

EXCEPTION: If the RAL/RAC account was not accepted or approved by the financial institution/tax preparer. TAS will obtain a denial letter (including the refund amount) and attach to the refund document in order for the refund to be deposited into a financial account not present on the original return. See (4)b above for required documentation. Maintain copy of refund document and letter in audit file.

- d. Interagency/bureau refunds will not always contain specific taxpayer identifying information. Typically these types of refunds will be a result of special investigations, testing and binding agreements. Look for the official governing memorandum authorizing the direct deposit refund. Also, the funds to be refunded will come from specific fund accounts (general ledger or appropriations). See also IRM 3.17.79.3.10(7) for additional information.
- e. Taxpayer Advocate Service (TAS) ACH/DD manual refund requests originating from Unprocessed Original Returns will contain the following:
 - The first page of Form 1040, 1040A, 1040EZ, etc. to show correct Entity information and official IRS receive date stamp.
 - The systemic validated screen print from REJECTS or

- The Form 1040 page with Reject employee initials next to the refund amount. This is used only if TAS has a hardship case that does not allow the 5 day wait for the screen print from Rejects. The P&A analyst assigned the TAS Division duty will walk the return to Rejects for manual validation. The Reject employee will initial Form 1040 next to the refund amount indicating the refund has been validated. See 3.17.79.3.3.2.
- f. Taxpayer Advocate Service (TAS) can only gain approval from Fresno and Kansas City ACS Centers, which are the designated sites for approving and processing Refund Hold OAR(s), see IRM 25.12.1.9(3). The Refund Hold Program holds individual income tax refunds and credit elects when a current year refund return is filed and the taxpayer's account has at least one non-filed tax return within the five years prior to the Refund Hold tax year. The Refund Hold account will contain a TC 570 w/999 in the Julian date field of the DLN (digits 6, 7, 8). Manual Refund requests submitted by TAS for Refund Hold Accounts must contain:
- a copy of the OAR (Operations Assistance Request) signed by the ACS TAS Caseworker designated at Fresno or Kansas City Centers. **REJECT** back to TAS if OAR is not signed by a ACS TAS Caseworker/coordinator.

NOTE: Accounts Management has the authority to request manual refunds on Refund Hold accounts (IRM 25.12.1.12.2) only when processing Injured Spouse claims on Form 8379. These cases will not have an OAR attached. These cases will have approval from the Fresno and Kansas City designated coordinators.