

## **Part IV. Items of General Interest**

### **Relief for Recipients of Certain Direct Deposits of 2008 Economic Stimulus Payments**

#### **Announcement 2008-44**

This announcement provides that individuals who have payments made by direct deposit under the Economic Stimulus Act of 2008, P.L. No. 110-185, to their IRAs or certain other accounts afforded special tax benefits under the Internal Revenue Code may remove the payments without incurring any adverse tax consequences.

Internal Revenue Code (Code) § 6428, as amended by § 101 of the Economic Stimulus Act of 2008, provides for payments to be made to eligible individuals in an amount determined under rules contained in § 6428. These payments are generally known as “Economic Stimulus Payments.” Taxpayers who indicated on their 2007 federal income tax return that refund amounts should be directly deposited into one account specified on the return will have their Economic Stimulus Payment directly deposited to that same account. The account specified by the taxpayer could be a checking or saving account, or an account that is given favorable tax treatment under the Code, such as an IRA, a health savings account (HSA), an Archer MSA, a Coverdell education savings account (CESA), or a qualified tuition program account (QTP or section 529 program). Distributions from these tax-favored accounts are subject to rules and restrictions specified in the Code. The Economic Stimulus Payment for a taxpayer who elected to directly deposit his or her 2007 refund into more than one

account, however, will be sent as a check and will not be directly deposited into any of the taxpayer's accounts.

An individual may withdraw from a tax-favored account an amount less than or equal to the amount of the Economic Stimulus Payment directly deposited into such account, notwithstanding any restrictions in the Code. To the extent that the withdrawal is made no later than the time for filing the taxpayer's income tax return for 2008, plus extensions (or in the case of a CESA, the later of May 31, 2009, or the time for filing the taxpayer's income tax return for 2008, plus extensions), the amount withdrawn is treated as neither contributed to nor distributed from the account. Thus, the amount withdrawn will not be subject to regular federal income tax nor to any additional tax or penalty under the Code.

The Service recognizes that financial institutions may not be able to distinguish these contributions and distributions from others that may occur. Therefore the financial institution receiving the direct deposit of the Economic Stimulus Payment and making the distribution should report the deposit and distribution in the usual manner.

Taxpayers who choose to withdraw their Economic Stimulus Payments will receive instructions in their Form 1040 package that will allow them to report the distribution on their individual income tax return in a manner that shows that the amount withdrawn is not subject to taxes or penalties.