It’s that time of year again – tax refunds are being received and there are great questions coming into our office. UMACHA is here to help and provide you with scenarios and information to consider when processing these tax refund credits. Our primary contact at the Bureau of the Fiscal Service has helped ensure these question and answer scenarios are accurate according to 31 CFR (Code of Federal Regulations) Part 210, the legal framework behind “The Green Book”.

### Scenarios, Questions & Answers

<table>
<thead>
<tr>
<th>Scenario #1</th>
<th>If an FI (Financial Institution) has and is reviewing a “Name Mismatch” report and finds that an ACH credit for a tax refund is coming in with the name of Jane Doe, the account number is valid, but the name on the account at the FI is Roger Jones, should they return the ACH credit entry?</th>
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<tbody>
<tr>
<td>Scenario #2</td>
<td>If an FI (Financial Institution) is aware that an ACH credit for a tax refund is coming in with the name of Susan Smith, but the name on the account at the FI is Jim Johnson (say you are aware that Susan and Jim used to be dating and have since broken up) – and you know this BEFORE the entry posts; should you return the ACH credit entry?</td>
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#### Background Information: “The Green Book”, in Section 2.6 Misdirected Payments states: “...if an RDFI becomes aware that an agency has originated an ACH credit entry to an account that is not owned by the payee whose name appears in the ACH payment information, the RDFI shall promptly notify the agency as required by Code 31 CFR Part 210.”

#### Interpretation: If the FI has knowledge of an entry coming in or sees a mismatch on the name (in a report they have access to) they should return the tax payment.

#### Answer to Scenario #1 & #2: Yes, the Bureau of the Fiscal Service included that language to encourage FIs to return payments in these situations. The appropriate Return Reason Code to use is R03. However, it is a business decision on the part of the FI ... perhaps they know the account holder or can call to get more information. There is no liability on the part of the FI for posting since you post on account number alone and the FI did not take the authorization. A returned direct deposit tax payment results in the mailing of a paper check to address of the taxpayer that is on the IRS master file.
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### Scenario #3

The FI receives a tax payment and the name matches that of a customer, but the account number is missing a digit or is otherwise incorrect so that it shows up on your non-post report. If the FI posts the entry to what they believe is the correct account, is the FI liable up to the amount of the entry if they happen to post to an incorrect account?

**Answer:** Correcting and posting the entry would be a business decision. The scenario above suggests the FI has a process or procedure in place to assist with modifying incorrect entry information. If an entry is posted to an incorrect account due to FI modification, the FI would be held liable. Entries that are unable to post should be returned to the government agency with the most appropriate Return Reason Code. The appropriate Return Reason Code to use for the scenario above is R03.

**Last Question:** If the FI returns the ACH tax refund credit entry, what is the timeframe to issue a check after the ACH entry is returned?

**Answer:** The returned ACH entry is processed and the funds are credited back to the IRS; this can take about three days. The IRS would then re-process the tax refund as a paper check. Total timeframe could be a minimum of four weeks before their refund check is mailed.
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### Scenario #4

The FI has a customer asking about some “missing” tax refund credits. One of their customers conducts tax preparation for several clients. The tax preparer files the appropriate paperwork with instructions to direct deposit all refunds to a single account. Once the refund has been received, the tax preparer remits funds to each individual client as they agreed upon.

**Background Information & Answer:** The Tax Refund Guidelines for 2016 have Direct Deposit Limits. The number of refunds that can be electronically deposited into a single financial account or pre-paid debit card is limited to three. Checks will be sent once the limit is exceeded.

**Follow-up Question:** Is there a method to track when those checks will be sent? Will I, as the tax preparer, receive notification?

**Answer:** Taxpayers can track their refunds at [Where's My Refund?](https://www.irs.gov/where-my-refund) or through the IRS2Go phone application. A notice will be sent to taxpayers informing them the account has exceeded the direct deposit limit and a paper check will be issued in approximately four weeks if there are no other issues.