

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Taxpayers Can Now Use Refunds to Buy Savings Bonds; New Direct Deposit Option

Video: *Split Refunds-Savings Bonds*: [English](#) | [ASL](#)

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In an effort to help individuals build their savings and retirement funds, a new direct deposit option in 2010 allows taxpayers to use their tax refunds to purchase U.S. Series I Savings Bonds.

Direct deposit, the electronic transfer of tax refunds into financial accounts, is the fastest, safest way to receive a tax refund. Taxpayers who use IRS e-file with direct deposit can get their refunds in as few as 10 days. A direct deposit avoids the possibility of a refund check being lost, stolen or returned to the IRS as undeliverable.

Using Direct Deposit

A taxpayer who wants to have his entire refund deposited into one account — a checking, savings or retirement account — simply needs to include his financial institution account number and nine-digit routing number on his tax return.

But the taxpayer may also split his refund into as many as three financial accounts. For example, he might designate that part of the refund be deposited into a savings account, part into a checking account and part into a retirement fund. Other examples of financial accounts eligible to receive deposits include health savings accounts and Coverdell education savings accounts.

And this year, for the first time, taxpayers may also use the split-refund option to purchase Treasury I Bonds.

Splitting a Refund

Form 8888, Direct Deposit of Refund to More Than One Account, is used to split a tax refund into two or three financial accounts. The form provides instructions for direct deposit into two or three accounts.

The taxpayer selects the accounts and the amount of the direct deposit he wants to designate for each account. The taxpayer should check with his financial institution to get the correct routing and account numbers and ensure the direct deposit will be accepted. The routing number on a deposit slip should not be used if it differs from the routing numbers on a corresponding check.

Buying Savings Bonds

This year, a taxpayer for the first time can request a portion of his refund be used to buy up to \$5,000 in low-risk, liquid Treasury I Bonds, which earn interest and protect owners against inflation.

The resulting bonds will be issued in the taxpayer's name. If the refund is a joint refund, the bonds will be issued in the names of both taxpayers. No beneficiary may be selected. The taxpayer need not have a TreasuryDirect account to purchase I Bonds using this option.

Using Form 8888, the taxpayer enters 043736881 as the routing number and checks the "savings" box. He must use the letters "BONDS" as the account number.

An I Bond request must be a multiple of \$50. The taxpayer also needs to designate an account to which he wants the IRS to deposit the balance of his refund. For example, if his refund is \$280, the taxpayer can request that \$250 be used to purchase I Bonds and that the remaining \$30 be deposited into a checking, savings or investment account.

In cases where a refund is an exact multiple of \$50 but less than \$5,000, the taxpayer may direct that all of the refund be applied to I Bond purchases by filling out the direct deposit information on his tax return and simply not using Form 8888.

The savings bonds will be mailed to the taxpayer.

Bonds will not be purchased in situations where the taxpayer makes an error figuring his refund, or if the bond request is not a multiple of \$50 or the refund is offset for any reason. In these cases, the requested purchase will be cancelled and the entire refund mailed to the taxpayer in the form of a check.

Once the IRS has processed a tax return and placed an order for I Bonds, the taxpayer can inquire about the status of his bond purchase by calling the Treasury Retail Securities Site at 1-800-245-2804.

Information about Individual Retirement Arrangements

Refunds may be deposited directly into previously established traditional IRAs, Roth IRAs and SEP-IRAs. (They may not be deposited into SIMPLE IRAs.)

The taxpayer should check with his financial institution to confirm that it accepts direct deposits as well as inform the trustee of the tax year to which the IRA should be contributed. For example, if a taxpayer intends for a direct deposit to be designated as a 2009 IRA contribution but fails to inform the trustee, the deposit might be designated as a 2010 contribution. The direct deposit contribution to an IRA must be made prior to April 15 in order to apply to the 2009 tax year.