

Background

The Debt Indicator is useful to taxpayers who wish to use their anticipated individual income tax return refunds to apply for bank products, for example, refund anticipation loans. The Debt Indicator tells a taxpayer whether or not there are any scheduled offsets against the refund by IRS, for example, for back taxes, or by the Financial Management Service (FMS), for example, for outstanding child support or federal debts, such as student loans. These bank products are offered by financial institutions in conjunction with tax practitioners that file returns electronically. An indicator called the Direct Deposit Indicator or DDI was available to taxpayers seeking bank products prior to 1994. The DDI was discontinued because it was thought to be a contributing factor to fraudulent claims for the Earned Income Tax Credit. The new Debt Indicator seeks to address this issue through a joint fraud detection program. Authorized IRS *e-file* Providers, Form 1040 On-Line Filers, and financial institutions will sign agreements with the IRS to actively screen returns and return information for potential fraud and abuse and report findings to the IRS. Parties to the agreements are eligible to obtain the Debt Indicator for their taxpayers who apply for bank products and sign consents to disclose the Debt Indicator to Authorized IRS *e-file* Providers, Form 1040 On-Line Filers, and financial institutions. The application and instructions for applying to obtain an agreement follow.

Notice 99-58

SUMMARY: Authorized IRS *e-file* Providers, Form 1040 On-Line Transmitters and financial institutions may apply to obtain a Debt Indicator for their customer/client taxpayers in exchange for actively screening individual income tax returns and return information for potential fraud and abuse and to reporting the findings to the IRS in accordance with a proposal accepted by the IRS.

ADDRESSES: Questions or concerns should be directed to Lisa Johnson at the IRS, Electronic Tax Administration, Electronic Program Operations Office, OP:ETA:O:C, New Carrollton Federal Building, ATTN: Lisa Johnson, 5000 Ellin Road C4-187, Lanham, MD 20706 or via E-mail at LJJH00@m1.irs.gov or faxed to (202) 283-4786, ATTN: Lisa Johnson.

APPROVED

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