



IRS EXTERNAL LEADS PROGRAM: FACT SHEET ON SUBMITTING LEADS

Introduction

The IRS Return Integrity and Compliance Services (RICS) External Leads Program is responsible for receiving and processing leads, and Automated Clearing House (ACH) credits returned by financial institutions because the funds were considered questionable. External Leads works with IRS Submission Processing to receive questionable leads, screen, and validate the associated lead and account information. If the accounts are confirmed questionable, the IRS will request the funds be returned to reconcile the accounts. The Program receives leads from financial institutions nationwide, state and local government

agencies, law enforcement, and internal business units throughout the IRS. Federal tax refunds returned to the IRS associated with leads can be submitted to the IRS electronically via the Bureau of Fiscal Service's (BFS) ACH Credit Gateway. The BFS Credit Gateway uses existing ACH deposit methods to allocate funds to a specific account locator number associated with External Leads. Any source able to submit ACH Fedwire deposits should be able to use the Credit Gateway. Returned refunds may also be submitted via paper check if necessary. Correct and accurate lead submission from partner financial institutions ensures the IRS recovers funds efficiently. Financial institutions can also use the Rejected Direct Deposit Opt-In Program to reject direct deposits of questionable tax refunds. This includes the R17 Opt-In Rejected Direct Deposit Process for current and prior tax year returns, whose full refund is available.

Definition of an "External Lead"

- External Leads involve questionable Federal Tax Refunds from financial institutions and various other sources
- Leads involve Treasury checks, direct deposits/ACH, refund anticipation loans/ checks and pre-paid debit cards



Steps for Submitting Leads to the IRS

High-Level Process

1. Financial Institutions: Submit standard External Lead Spreadsheet via secured email to the External Leads group mailbox

Available upon request from the IRS, the spreadsheet provides critical personally identifiable information (PII) which helps the IRS identify the source of funds and ensure accurate processing of any funds returned (see Table on page 2 for requested lead information).

- Email address: efleads@irs.gov and copy dexter.brown@irs.gov (Program POC)
- Email Subject Line: Description must include financial institution name, date, and "External Leads". For example, "Any Bank, 01/12/2017, External Leads"
- Email Body:
 - Reason for questionable lead(s)/return
 - Financial institution's point-of contact: name, title, phone/fax number, email address and financial institution/company submitting lead
 - Physical street address of the financial institution (no P.O. Boxes)
 - If you are unable to use the Credit Gateway, or require additional information, please add a note for paper check
 - If IRS indemnification letter should be sent to a different point of contact at your financial institution, please identify the appropriate department and point of contact in the lead email.
 - NOTE: Please be sure to include the RTN of the institution AND the physical address
- Attachments: Attach completed, standardized External Leads spreadsheet to the email.

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External Leads Standardized Spreadsheet Fields			
Lead Number (IRS Use only)	Source	Point-of-Contact Info (Name, Email address, etc.)	Date
Tax Period/Year	Amount of Refund Available for Recovery	Treasury Check Number	Date of Original Deposit
Amount of Original Deposit	Debit Card Number if Applicable	Reason for Referral (i.e., Susp W-2; ID theft, name mismatch, etc)	Accountholder's SSN/EIN
Last Name	First name	Name/DBA on Refund Check or ACH deposit if known or different from account owner	Payee's SSN/EIN
Address	City	State	Zip Code
Email Address	IP Address	RTN	ACCT Number

- Secure Format: Email should have a secure password. Please provide the password to the spreadsheet attachment in a separate email. The same password may be used throughout the filing season.

2. IRS: Conduct Lead Research (Screening and Verification)

Upon receipt of a lead, the IRS will provide an acknowledgment email and a Lead Number for future reference. Based on the information received, External Leads will complete the necessary research on the individual accounts.

3. IRS: Request Refund Repayment Amount from Financial Institution

The IRS will contact the financial institution within approximately 10 business days and inform the financial institution of the total amount of funds that should be returned to the IRS. The IRS will provide financial institutions with an indemnification letter prior to transmittal of funds.

4. Financial Institution: Return Refunds to the IRS

- Electronic (preferred method): Upon notification from the IRS, funds should be submitted via ACH Credit Gateway. Credit Gateway is a deposit program that BFS uses for the receipt of ACH transactions. Upon completion of lead review, the IRS will provide the appropriate account locator number (ALC) for the Credit Gateway transaction, and Gateway Account number (per IRS site). The financial institution should return the funds via the Credit Gateway. Additional information on BFS Credit Gateway can be found at <https://www.fiscal.treasury.gov/credit-gateway/contact.html>. In addition, the financial institution should send an email to efleads@irs.gov indicating the Lead Number(s) and ALC number prior to transmission along with the expected date of deposit. For each transaction, please be sure to include date (month and day), lead number, bank name, BL (to indicate "bank lead") and the Tax Class Code (20X0903) in the Credit Gateway Receiving Company Field for your transmission.
- Any financial institution unable to use the Credit Gateway, should e-mail efleads@irs.gov for additional assistance relating to returning funds to IRS.

5. IRS: Adjust Taxpayer Accounts based on Returned, Recovered Refunds

The External Leads team works in conjunction with IRS Submission Processing to reconcile and adjust the accounts of each identifiable taxpayer.

Inquiries

Financial institutions may occasionally receive inquiries regarding funds returned to the IRS. Since it takes several weeks for funds to be processed through accounting, phone assistants may not have information regarding the returns. Once appropriate research has been conducted, taxpayers should receive further correspondence from the IRS in most cases. When receiving inquiries, account holders can be advised that funds have been returned to the IRS; however, it takes 6-8 weeks before account information is readily available. The IRS can address questions about the refund status only with the taxpayer or their authorized representative. Any specific concerns from the financial institution may be directed to the External Leads Program. The group mailbox is for financial institution, internal business unit, and state agency use only.

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REJECTED DIRECT DEPOSIT OPT-IN PROGRAM

Overview and Purpose

The IRS and the Treasury Department's Bureau of Fiscal Services have teamed with NACHA the Electronic Payments Association to offer financial institutions an opportunity to use a repurposed Return Reason Code to reject direct deposits involving current and prior year questionable tax refunds. The focus of the program is electronic receipt of refunds based on fraudulent tax returns.

The Opt-In program ensures a uniform approach in the rejection of questionable IRS refunds, thereby protecting law-abiding taxpayers, while reducing the instances of taxpayer fraud. The program, which officially launched in January 2013, is open to financial institutions that participate in the IRS External Leads Program or financial institutions that are NACHA's direct members. Participants may opt in at any time.

Opt-In Program Details

The Rejected Direct Deposit Opt-In Program assists the IRS in the recovery of questionable tax refunds that were transmitted via Automated Clearinghouse (ACH) credits as direct deposits. This program provides a dedicated Return Reason Code for rejected direct deposits associated with name mismatches, ID theft and questionable fraud refunds.

Reason Code 17 (R17) is used for the Opt-In Program for returns with name mismatches, ID Theft, and questionable refunds.

Addenda Information Field (Field 7) codes will accompany the R17 rejection to distinguish the rejection type.

Name Mismatch [Code = '17'] ID Theft [Code = '18']
Questionable Refund [Code = '19']

If none of the three characters above are included in the Addenda Information Field, the IRS will default to its name mismatch review process for that return entry

Definitions

Name Mismatch (R17, Addenda Record 17) – Instance in which the name on the account and account number of the deposit does not match the financial institution's records, also includes SSN account mismatch

Identity Theft (R17, Addenda Record 18) – Instance in which the financial institution discovers or is notified that the deposit is related to a case in which a taxpayer's identity has been stolen

Questionable Refund (R17, Addenda Record 19) – Instance in which the account characteristics, history or other identifiers (e.g., investigations, filters, etc.) indicate that the deposit is questionable, invalid or has been fraudulently obtained

Once the identifying code is entered into the Addenda Information Field, the full refund amount is returned to the IRS via ACH direct deposit through the Treasury Department's Bureau of Fiscal Service. Receipt of R17 rejections will trigger the IRS to impose a freeze on the tax refund. The IRS will subsequently review the information; notify the taxpayer and disposition the refund as necessary.

Note: Use of other reject codes do not offer the same review process and will not impose a freeze on the tax refund.

Refunds under the program must be sent within 60 days of the settlement date of the original entry. Extensions may be granted with the IRS External Leads Program approval. Financial institutions opting into the program will make no representation or warranty that any return is the result of error, fraud, or other unlawful activity. Determination of validity and final dispensation of a refund remains with the IRS pursuant to its review process.

Registration Details

If interested, please contact NACHA using the program contact information at any point during the program. Program guidelines, as well as a required waiver (to be signed by the financial institution's point of contact), will also be issued at this time, along with additional contact information. For more information, please visit: <https://www.nacha.org/content/irs-refund-return-opt-program>.

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Frequently Asked Questions

What is an Opt-In Program?

Opt-In Programs allow financial institutions to utilize the ACH Network without the development of a broad-based rule. To enroll, all participants must sign an agreement with NACHA that covers the terms and rules of the program.

What are the benefits of this Opt-In Program?

The selected, repurposed Reject Reason Codes will help financial institutions and the IRS better identify questionable refunds and ensure these funds are properly returned back to the IRS. It protects good-standing taxpayers and reduces the loss of taxpayer dollars.

How will participants benefit from the Opt-In Program?

Participants will have uniform and clear guidelines when rejecting IRS refunds due to name mismatches, Identity Theft and/or questionable activity. This will increase the efficiency of direct deposit rejections and ensure that the questionable funds will be immediately returned to the IRS.

Is there a deadline to register for the Opt-In Program?

No. Financial Institutions may register at any time.

Does the Opt-In Program have an end date?

No. The program will run as long as participants benefit from it. If it becomes clear that the program may benefit all NACHA participants, NACHA may propose a rule to make the program universal.

Who is eligible to participate in the Opt-In Program?

Eligible participants include financial institutions that are currently participating in the ACH Network, such as NACHA direct members or IRS External Leads Program participants. For more information, reach out to the contacts listed below.

How does a financial institution register for the Opt-In Program?

Interested financial institutions may obtain a copy of the Opt-In agreement and program guidelines by visiting the NACHA website: <https://www.nacha.org/content/irs-refund-return-opt-program>.

Each financial institution must provide a signature to participate in the Opt-In Program. Once a signature has been secured and returned to NACHA, financial institutions may participate in the Opt-In Program.

Why must a financial institution sign an agreement?

The agreement is necessary because participants are agreeing to modify the NACHA Operating Rules. For this program, the agreement applies to the use, deadline, and formatting of a return.

Is participation mandatory?

No. This is a voluntary program, but the IRS and NACHA encourage financial institutions to participate.

Where can I receive additional information on the Opt-In Program?

The Opt-In Program Agreement and Program Rules are available to interested financial institutions <https://www.nacha.org/content/irs-refund-return-opt-program>.

Did you know State Tax Revenue agencies have an Opt-in program?

Yes. Developed by the State Revenue Agencies and NACHA, the State Tax Refund Return Opt-In Program makes it easier for financial institutions to return tax refund credits in cases of suspected error or fraud. If interested, please visit the NACHA website link: <https://www.nacha.org/content/state-tax-refund-return-opt-program-prevent-future-fraudulent-refunds>

Program Contact Information

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