



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-5-2007**  
**January 16, 2007**

## **VOLUNTEER INCOME TAX ASSISTANCE (VITA)**

### **A Reminder and Update About Potential CRA and Business Opportunities**

**Summary:** Volunteer Income Tax Assistance (VITA) sites offer an opportunity for institutions to provide a financial service to underserved low- and moderate-income consumers. New IRS rules also create more opportunities for consumers to save and for financial institutions to develop new business. Taxpayers now have the flexibility to split direct-deposited tax refunds in up to three different savings and checking accounts.

**Distribution:**  
FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**  
Chief Executive Officer  
CRA Officer  
Head of Deposit and Branch Operations

**Attachment:**  
List of FDIC regional contacts

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**Note:**  
FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2007/index.html](http://www.fdic.gov/news/news/financial/2007/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

#### **Highlights:**

- The IRS now allows taxpayers to split portions of their direct-deposited tax refunds in up to three different savings and checking accounts, with up to three different U.S. financial institutions. This change creates new opportunities for financial institutions as well as for taxpayers.
- The FDIC is continuing its partnership with the IRS to encourage financial institutions to develop relationships with local IRS-coordinated Volunteer Income Tax Assistance (VITA) sites or coalitions.
- Institutions partnering with the VITA program increase opportunities to develop new business by promoting financial education, banking products and other financial services to underserved and low- and moderate-income taxpayers.

**VOLUNTEER INCOME TAX ASSISTANCE (VITA)  
A Reminder and Update About Potential CRA and Business Opportunities**

The Federal Deposit Insurance Corporation (FDIC) partners with the Internal Revenue Service in promoting the IRS-coordinated Volunteer Income Tax Assistance (VITA) program, which offers free preparation of income tax returns for low- and moderate-income individuals. With the start of the tax season, the FDIC is reminding financial institutions that their participation in VITA programs offers the potential for favorable consideration under Community Reinvestment Act (CRA) rules and opportunities to provide financial education and open new accounts for underserved individuals. Additionally, new IRS rules allow taxpayers who receive their refunds via direct deposit to split the money into as many as three different bank accounts instead of just one.

VITA sites are generally located at community centers, libraries, non-profit organizations, local governmental offices, and other convenient locations. The sites are staffed by certified volunteers who receive free training to prepare basic tax returns. Most locations offer free electronic filing to expedite the receipt of tax refunds.

VITA sites also help consumers obtain the tax credits to which they are entitled, including the Earned Income Tax Credit (EITC). The EITC is a special tax benefit available to qualifying low- and moderate-income working people. IRS studies indicate that millions of eligible workers fail to claim this credit. The maximum EITC is approximately \$4,500 for a family with two or more children.

Beginning with returns filed in 2007, taxpayers who file an IRS Form 1040 and who choose to receive their refund via direct deposit now can split their tax refunds into up to three different checking and savings accounts, with up to three different U.S. financial institutions. This is a change from prior years when consumers could have their refund direct-deposited into only one account. The IRS added this flexibility to encourage more taxpayers to put part of their refunds into savings accounts as well as checking accounts and to increase their use of financial institutions. This change also creates new opportunities for financial institutions at VITA sites to reach underserved and low- and moderate-income consumers.

Financial institutions can participate in the VITA program in various ways, including by:

- Notifying staff of opportunities to be VITA volunteers;
- Marketing the EITC and VITA program to bank customers;
- Co-sponsoring a VITA site or coalition;
- Hosting a VITA site at a bank branch;
- Offering taxpayers the opportunity to start the process of opening a bank account at the VITA site, whether by phone or with staff on-site;

- Partnering with the local VITA program to make financial education available to consumers at VITA sites; and
- Offering banking products responsive to the needs of VITA clients.

Under CRA regulations, financial institutions can receive favorable consideration in the investment test (12 CFR 345.12(t) & 345.23) or service test (12 CFR 345.12(i) & 345.24) for qualifying VITA-related activities.

The FDIC partners with the IRS through a formal memorandum of understanding that is intended to help form a strong coalition of FDIC-supervised institutions and community groups in support of the VITA program. In addition, the FDIC-IRS partnership is designed to enhance financial management skills and create positive banking relationships for underserved individuals.

For more information on finding opportunities to be involved in the VITA program in your community, contact the Community Affairs Officer in your local FDIC Regional Office (see attached list) or Luke W. Reynolds, Community Affairs Specialist in the Division of Supervision and Consumer Protection, at 202-898-6724. The Regional Community Affairs Officers can help interested financial institutions identify local VITA program contacts.

Sandra Thompson  
Director  
Division of Supervision and Consumer Protection

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