New Law to Affect Refunds in 2017

Cross References
• www.irs.gov

The IRS has announced initial plans for processing tax returns involving the Earned Income Tax Credit (EITC) and Additional Child Tax Credit (ACTC) during the opening weeks of the 2017 filing season. The IRS is sharing the information now to help the tax community prepare for the 2017 season, and plans are being made for a wider communication effort later in the summer and fall to alert taxpayers about the changes that will affect some early filers.

This action is driven by the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) that was enacted into law on December 18, 2015. Section 201 of this new law mandates that no credit or refund for an overpayment for a taxable year shall be made to a taxpayer before February 15 if the taxpayer claimed the Earned Income Tax Credit or Additional Child Tax Credit on the return.

This change begins January 1, 2017, and may affect some returns filed early in 2017.
• To comply with the law, the IRS will hold the refunds on EITC and ACTC-related 2016 returns until February 15, 2017.
• This allows additional time to help prevent revenue lost due to identity theft and refund fraud related to fabricated wages and withholdings.
• The IRS will hold the entire refund. Under the new law, the IRS cannot release the part of the refund that is not associated with the EITC and ACTC.
• Taxpayers should file as they normally do, and tax return preparers should also submit returns as they normally do.
• The IRS will begin accepting and processing tax returns once the filing season begins, as they do every year.
• The IRS still expects to issue most refunds in less than 21 days, though IRS will hold refunds for EITC and ACTC-related tax returns filed early in 2017 until February 15 and then begin issuing them.