



June 17, 2010

## [Government to Implement Direct Deposits for Tax Refunds](#)

The Obama Government has recently announced that all government payments to consumers will be made via electronic deposits instead of via the mail. This means all Social Security, unemployment insurance, railroad retirement, veterans benefits, tax refunds and other government benefits will have their money directly deposited into their bank accounts. This system is part of President Obama's effort to eliminate waste and modernize the government for taxpayers.

According to Peter Orszag, the Director of the Office of Management & Budget, "This is precisely the type of smart, streamlined improvement that this administration is committed to making across government to boost efficiency and modernize how we do business".

If you do not have a personal bank account, you can still get your money electronically the Treasury Department's Direct Express Debit Master Card program. With the move to channel funds electronically, the government and consumers will receive two benefits.

Firstly, it will make the process of getting paid easier and faster. And secondly, it will save cost all round. The government saves on administrative and postal costs to the tune of \$303 million over the first 5 years and \$120 million each year thereafter, which would indirectly save taxpayers money as well. But these amounts are not very significant considering the fact that just last month the government's deficit came up to \$135 billion.

The government has made many attempts at getting people to revert to electronic payments. But each year, the Treasury Department still mails out 136 million benefit checks. However, with the move to change completely to electronic payments, it will be a win-win situation for both the government and the consumers.

At the same time as the government makes the direct deposit announcement, the Treasury will publish a notice of proposed rulemaking in the Federal Register that allows for a period of 60 days in which the public may make comments. Once the final rule is published, the government will implement the changes starting with a public awareness and education campaign.

The move to have direct deposits actually started years ago with 85% of federal benefit recipients receiving their payments via direct deposits. And one million Americans now use the Direct Express payment system that was launched in the summer of 2008.

The new rule of complete electronic payments that the government is now implementing is due to fully take effect in March of next year. However, there are a few minor areas where the implementation will be delayed until March 2013.