



News Release

Media Contact only:

Nancy Kohler
Lande Communications
Phone: 800-993-7600, ext. 3#
Email: nkohler@landepr.com

Melissa Lande
Lande Communications
Phone: 800-993-7600, ext. 1#
Email: mlande@landepr.com

For Immediate Release

SHOULD YOU HAVE YOUR INCOME TAX REFUND DIRECTLY DEPOSITED TO YOUR IRA – GOOD OR BAD IDEA?

PPC Tax Analyst Cautions You to be Very Careful — It May Not be Worth it

Fort Worth, TX, January, 2007 – With 2006 tax returns, individuals with refunds have more options on how to allocate their income tax refunds, says Diana Stephens, PPC Tax Analyst from Thomson Tax & Accounting. In addition to depositing a refund directly into a checking or savings account, you may now deposit the refund into an Individual Retirement Account (IRA) including a traditional, Roth, and SEP-IRA (but not a SIMPLE IRA). “Taxpayers can also choose to split the refund, depositing it directly in up to three different accounts using the new Form 8888, *Direct Deposit of Refund*,” she says.

While the opportunity to direct deposit your refund into an IRA offers unprecedented convenience, it also brings with it the possibility for errors and potential amended returns that only advance planning can cure, according to Stephens. “You must be very careful about how much is contributed to your IRA in any one year,” she says. “Contributing too much can result in penalties, while contributing less than was deducted on your 2006 return will cause you to have to file an amended return. With IRS direct deposit, you have very little control over the actual amount deposited. Any number of errors (by you, the IRS or the financial institution) can result in a deposit of more or less than you requested.”

The proverbial “ounce of prevention beats a pound of cure” is worth heeding in this situation. To lessen the chance for errors, Stephens suggests the following preventive measures:

- 1. Be sure to include the financial institution’s correct routing number and the correct account number on your tax forms.** While these numbers may be easily obtained for a checking account from a check, IRAs don’t have checks, so you will need to contact your financial institution to obtain the correct numbers. The routing number must be nine digits with the first two digits being 01 through 12 or 21 through 32. The account number can be up to 17 alpha-numeric characters. You also need to verify that your financial institution can accept these direct deposits. Of course, the IRA account must be established before you request a direct deposit. If a direct deposit is rejected by the financial institution, the IRS will send a check to you and nothing will go into your IRA.

- more -

2. **Instruct the financial institution to apply the IRA deposit for 2006 or 2007.** If you do not notify the financial institution, they can assume the deposit is for your 2007 contribution. If you designate your deposit to be for 2006, you must verify that it is actually made to the account by April 16, 2007. If the actual deposit does not occur until after that time--regardless of whether it was your or the IRS's fault-- it is considered a 2007 IRA contribution--not a 2006 IRA contribution. If you deducted it on your 2006 return, the return will need to be amended to reduce the IRA deduction and any savings contribution credit you claimed.
3. **Order the accounts wisely.** If there is an increase or decrease in the refund after the return is filed (for example, due to a math error or refund offset), it is first applied to the account listed on line 3, then line 2 and finally line 1 of the Form 8888. If you choose to apply your refund to multiple accounts using Form 8888, it is important to list the IRA first so that it's adjusted last and, therefore, if an error occurs, the IRA contribution is less likely to be changed by the IRS.
4. **Monitor your refund to be sure that the proper amounts are posted to your accounts.** This is especially important for IRAs to insure that the full contribution is made but not exceeded.

While the law is intended to "encourage retirement savings," Stephens warns that it is chock full of potential obstacles. A delayed return processing or small mathematical error could create a nightmare that could take months to unravel with the IRS. To avoid this hassle and get a head start on tax deferred earnings, Stephens suggests directing the deposit to your 2007 IRA and making your 2006 contribution out of pocket. If your refund isn't large enough to fully fund your 2007 IRA contribution, you can make the additional contribution at any time prior to the regular due date of the 2007 tax return.

-30-

About The Thomson Corporation, Thomson Tax & Accounting, and RIA

The Thomson Corporation (www.thomson.com) is a global leader in providing essential electronic workflow solutions to business and professional customers. With operational headquarters in Stamford, Conn., Thomson provides value-added information, software tools and applications to more than 20 million users in the fields of law, tax, accounting, financial services, scientific research and healthcare. The Corporation's common shares are listed on the New York and Toronto stock exchanges (NYSE: TOC; TSX: TOC).

Thomson Tax & Accounting is a strategic business unit of Thomson and a leading provider of technology and integrated information solutions to accounting, tax and corporate finance professionals in accounting firms, corporations, law firms and government. Thomson Tax & Accounting includes the Professional Software & Services, Corporate Software & Services, and Research & Guidance business groups. RIA (<http://ria.thomson.com>) and PPC (<http://ppc.thomson.com>) are both brands within the Research & Guidance business.