

Santa Barbara Bank & Trust - 2/13/2009

"For immediate release"

VERIFICATION OF EIC CLAIMS

Based on our analysis of the last three funding cycles, we have seen that the IRS has begun an aggressive campaign to verify EIC claims. This has resulted in a large number of bifurcated and unfunded refunds where the EIC portion of the refund is being withheld. This is affecting primarily large EIC claims including those with good prior year history and consistent dependant claims. Since we only received the non-EIC portion of the refund for these types of returns, we know that the IRS clearly needs additional work to be performed in order to pay out the EIC portion. We will be sending out a letter to those affected clients starting next week.

This will result in an immediate change in our RAL criteria as it relates to large EIC claims. You will notice more denials, regardless of prior year history, starting Friday, February the 13th.

WE NEED YOUR HELP. You should ensure that you request and keep documentation proving EIC claims, even for prior year clients. For returns already filed, we need every effort that can be made by the tax professionals to help those clients provide whatever documentation is necessary to the IRS, and it would need to be done within a 30 day period. Please generate a Past Due RAL report (or any other method to see which returns containing EIC are past the expected funding date) and contact the taxpayer to start the process with the IRS. The IRS website will also confirm which returns are requiring additional paperwork to verify the EIC claim. It is important that affected taxpayers be contacted in a timely manner. We thank you for your support.

Team SBBT