



OLR RESEARCH REPORT

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INCOME TAX REFUND DEBIT CARDS

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You asked various questions regarding the Department of Revenue Services' (DRS) income tax refund debit cards.

The questions and their respective answers follow. Our answers are based on information posted on the DRS website and provided to OLR and OFA by (1) Jonathan Harris, deputy treasurer, and Lawrence Wilson, assistant treasurer for cash management, at the Office of the State Treasurer (OST) and (2) Susan Sherman, legislative program manager at DRS.

Is DRS or a contracted vendor issuing the debit cards?

A contracted vendor will issue the debit cards. OST, in consultation with DRS, contracted with JP Morgan Chase in January 2012 to issue income tax refunds by direct deposit and debit card. The debit cards generally replace paper check refunds.

Chase is providing these services under an amendment to a preexisting "master debit card contract" between Chase and OST. Under the master contract, three other state agencies receive debit card services: the Department of Labor, Department of Children and Families, and Department of Social Services.

Under what authority is DRS implementing the new debit card program?

According to Susan Sherman, DRS is authorized to issue income tax refunds under [CGS § 12-732](#). This statute grants the DRS commissioner general authority to issue refunds for income tax overpayments. It does not specify a form for issuing these refunds (i.e., paper checks, direct deposit, or debit card).

Does JP Morgan Chase have any side agreements with People's Bank, Visa, or other institutions regarding the sharing of debit card fees?

According to OST, Chase may have agreements with other banks or institutions, but these agreements are not included in its contract with the state. The contract between the state and Chase does not name any other parties.

What happens to unexpended money on the debit cards? How does this compare to an uncashed refund check?

The answer to your first question depends on whether taxpayers activate their debit cards. If a taxpayer activates his or her debit card and does not use it or leaves a balance on the card, Chase will begin charging the account a \$1 per month fee after the 12th consecutive month of inactivity. Thereafter, any funds remaining in the account would escheat (revert) to the taxpayer's state of residence according to that state's laws (DRS, *Chase Debit Card FAQ's*). Under Connecticut law, these funds are treated as abandoned property after three years of inactivity, at which point they would escheat to the state ([CGS § 3-64a](#)).

If the taxpayer does not activate the debit card, Chase will close the account after one year and return the available balance to DRS. Unclaimed refunds escheat to the state after three years.

On the other hand, income tax refund checks are valid for 18 months from the date of issuance. If a taxpayer does not cash his or her refund check, the funds remain with DRS for three years, after which time they escheat to the state.

RP:dy