



## **ACH Network Rules Pandemic-Related Frequently Asked Questions**

### **Second Round Economic Impact Payments**

*Updated December 30, 2020*

Nacha has developed the following FAQs based on information it has provided, information it has learned, and inquiries posed to Nacha by industry participants. Newly added or revised FAQs are shown at the beginning of each section by date, followed by those previously published.

#### **December 30, 2020**

1. When will EIPs be made?

The COVID relief package of December 27, 2020 authorizes additional Economic Impact Payments to be made by the IRS by January 15, 2021. According to the U.S. Treasury, most of this second round of EIPs will be made by ACH Direct Deposit, with an effective date of Monday, January 4, 2021.

2. When will funds from the second round of EIPs (EIP2s) be available?

For EIP2s made by ACH Direct Deposit with a settlement date of Monday, January 4, 2021, an RDFI is required to make funds available for cash withdrawal by 9 a.m. (in the RDFI's local time) on that date.

3. How many EIP2s will be made by ACH?

Nacha estimates that 113 million EIP2s will be made by ACH Direct Deposit.

#### **December 28, 2020**

4. How will these new EIPs they be identified?

The second round EIPs (EIP2s) made by ACH Direct Deposit will be identified with the following information:

Company Name: "IRS TREAS 310"

Company Entry Description: "XNTAXEIP2"

Other identifying information (ODFI Routing Numbers and Company Identifications) is being provided by the U.S. Treasury's Bureau of the Fiscal Service

5. What does “XXTAXEIP2” mean?

“XX” – This is the U.S. Treasury’s encoding which designates the payment as exempt from garnishment.

“TAX” – This is additional designation that the payment is originated by the IRS, and under the COVID relief package is a tax rebate

“EIP” – This designates the payment as an Economic Impact Payment

“2” – This designates the EIP as part of the second round, as provided in the COVID Relief Package of December 27, 2020, as distinct from the first round of EIPs authorized by the CARES Act.

6. Can individuals supply their Direct Deposit information for the second round of EIPs?

No. The deadline for individuals to supply their Direct Deposit information has already passed. The IRS will use the banking information it already has to make payments.

7. Are the second round EIPs exempt from garnishment?

Yes. This is different than the first round of EIPs under the CARES Act. The U.S. Treasury will use the encoding of “XX” in the first two positions of the Company Entry Description field to designate the EIPs by ACH as exempt. Please refer to the U.S. Treasury’s Green Book for additional information on the processing of Treasury payments that are exempt. Please see:

<https://fiscal.treasury.gov/reference-guidance/green-book/chapter-2.html>

8. Are the second round of EIPs subject to Federal offsets?

No. EIPs are treated as tax rebates, and are not Federal benefit payments. Therefore, they should not be subject to reclamations.

9. Can RDFIs post payments from the U.S. Treasury based on account number only?

Yes. Nacha Rules Subsection 3.1.2 states in full that “An RDFI may rely solely on the account number contained in an Entry for the purpose of posting the Entry to a Receiver’s account, regardless of whether the name of the Receiver in the Entry matches the name associated with the account number in the Entry.” Furthermore, the Green Book, Chapter Two, pages 2-5 and 2-6 states, “It is important to note that a financial institution is not required to manually verify that the name on the ACH entry matches the name on the account at the time the payment is posted. An RDFI is only liable for posting the payment to the account in the ACH credit entry.”

If an RDFI becomes aware that a payment was misdirected to a wrong account, either by an accountholder, a government agency, or through its own research, it is required to notify the sending agency. Notification could be through proper return of the ACH entry or by contacting the agency. If it deems possible, the RDFI may make an internal correction and provide the agency with an NOC; however, the RDFI is liable for the corrected information.

Please see: <https://fiscal.treasury.gov/reference-guidance/green-book/chapter-2.html>

10. What should an RDFI do if a U.S. Treasury payment is to a closed account?

According to information in the U.S. Treasury's Green Book (page 4-2), the RDFI should return the payment. The Green Book states in Chapter 4 that all ACH payments must be returned in accordance with the Nacha Operating Rules and Guidelines, including when an account is closed or does not exist. Most ACH returns to the IRS will result in a paper check being issued; therefore, RDFIs must make appropriate use of Return Reason Codes. Please see: <https://fiscal.treasury.gov/reference-guidance/green-book/chapter-4.html>

11. How should the RDFI handle an Economic Impact Payment to the account of a customer that is deceased?

Under the COVID Relief Package, deceased individuals that died on or after January 1, 2020 are eligible for EIPs (but may be subject to other eligibility criteria). RDFIs may post received EIP with the assumption that has been screened for eligibility.

12. What's different with this second round of EIPs?

- The amount of the payments will be lower
- A much higher percentage of payments will be made by ACH Direct Deposit
- The disbursement process will begin much more quickly, and will last no longer than a few weeks, as the deadline for the IRS is set as January 15, 2021
- The identification of the ACH Direct Deposits will include a different description, this time using "XXTAXEIP2"
- The EIPs in round two (EIP2s) are exempt from garnishment
- The upper income limit for individuals and families to be eligible is a little lower than with the first round of payments under the CARES Act. Some people that qualified for EIP1 under the CARES Act will not qualify for EIP2 under the new COVID relief package
- Deceased individuals who died on or after January 1, 2020 are eligible for

EIPs (but are subject to other eligibility criteria)

- The IRS portal to provide Direct Deposit information is not available, as the deadline to provide new information has already passed