

# IRS Moves Toward Electronic Disbursements (and Payments)

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## Overview

President Trump signed an Executive Order this past March requiring federal agencies, including the Treasury, to cease issuing paper checks for most federal disbursements starting on September 30. The shift will affect a wide range of payments, including tax refunds, Social Security benefits, veterans' payments, and payments to government vendors. The primary goal is to modernize payments, reduce costs, increase security, and speed up the process. The Treasury notes that paper checks are significantly more likely to be lost, stolen, or altered compared to electronic payments.

## Summary of Key Provisions

Executive Order 14247, titled "Modernizing Payments to and From America's Bank Account," was signed by President Trump on March 25, 2025. As noted above, the

The order aims to improve the efficiency, security, and cost-effectiveness of federal payments. It highlights that paper-based transactions are subject to higher costs, delays, and risks of fraud and theft. Specifically, effective September 30, 2025, the order directs the U.S. Treasury to cease issuing paper checks for all federal disbursements. This includes a wide range of payments, such as tax refunds, Social Security benefits, vendor payments, and other government benefits. In addition, all federal agencies are instructed to transition to electronic payment methods, including direct deposits, prepaid cards, debit and credit card payments, digital wallets, and real-time payment systems. In addition, the Executive Order states that, "as soon as practicable," all payments made to the federal government (e.g., taxes, fees, and fines) must also be processed electronically.

## Disbursements

The main thrust of the initiative is to halt payments *from* the Treasury to individuals and businesses via paper checks. On September 23, 2025, the IRS issued a News Release, *IR-2025-94*, in which it stated it was working with the U.S. Department of the Treasury to comply with the September 30 deadline. The News Release advises that taxpayers should continue to file their returns as they normally would, but most refunds will be delivered by direct deposit or other secure electronic methods. The IRS has also stated that it will publish more detailed guidance for the 2025 tax return filing season before it begins.

The Social Security Administration has also been actively encouraging beneficiaries to switch to electronic payments before the deadline and has stated it will no longer offer temporary checks for initial claims.

While the deadline is set for September 30, both the IRS and Social Security Administration have indicated that a "limited number" of paper checks will still be issued where no alternative is available or where existing forms and procedures are still in place.



## Receipts

The Executive Order also states that, "as soon as practicable," all payments to the federal government, such as taxes and fees, should be processed electronically. However, the IRS has stated that taxpayers should continue to use existing payment options, including paper checks, "until further notice." This suggests that the phase-out of accepting checks is not as immediate or as hard-and-fast as the phase-out of issuing them.

## Exceptions and Waivers

The Executive Order acknowledges that certain exceptions may be necessary. It directs the Treasury Secretary to allow for exceptions and grant waivers for individuals who do not have access to banking services or electronic payment systems. This includes those who are mentally impaired or live in remote areas without electronic banking access. An exception can also be made for emergency payments (e.g., FEMA disaster relief) where electronic disbursement would cause hardship. Likewise, exceptions can be made for certain disbursements involving national security or law enforcement-related activities as well as other special cases as determined by the Secretary.

**Note:** The IRS and taxpayers are still awaiting final implementation guidance from the Treasury Department regarding the waiver process and certain aspects of mandatory electronic tax payments.

## Public Awareness

The Executive Order directs the Treasury, in coordination with other agencies, to implement a comprehensive public awareness campaign to inform recipients of the change and provide guidance on how to transition to electronic payments.

## Steps to Take

The IRS is encouraging taxpayers to use Direct Deposit and provide routing and account numbers on their tax returns. The Electronic Federal Tax Payment System (EFTPS) may work particularly well for non-individual taxpayers (e.g., corporations, estates, trusts) to make future tax payments which can be set up for a year in advance. Direct Pay from bank accounts can also be utilized as well as electronic funds withdrawal when e-filing, and debit/credit card payments can be used through authorized processors and digital wallets. The IRS is also encouraging taxpayers to establish an IRS online account for secure payment management and access to tax information.

## Conclusion

In essence, the Executive Order is the legal directive that has set the September 30 deadline and is driving the shift away from paper checks for payments made by the federal government. The subsequent actions by the IRS, Social Security Administration, and others are in direct response to this order. Hopefully the federal agencies will carry out the directive without a disruption in services.

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