

Don't Be Tempted By Tax-Time Advertisements

Have you heard advertisements promising “Fast Cash Refunds,” “Express Money,” or “Instant Refunds?” These ads offer to get you a tax refund in just a day or two... or even on the spot. Beware! Many of these “refunds” are really LOANS. When you get a refund anticipation loan, or RAL, you are borrowing against your anticipated tax refund money and it's not cheap. Loan fees typically range from \$30 to \$90, which can translate into annual percentage rates from 60% to over 700%. RAL fees, combined with tax preparation, electronic filing, and other fees can take a big chunk out of your refund.

In addition to the high costs, RALs can be risky. Since a RAL is a loan from a bank, it must be repaid even if the IRS denies or delays your refund or if your refund is smaller than expected. If you don't pay back the RAL, the lender can take actions to hurt your credit rating and may send your account to a debt collector.

SCDCA suggests these tips to help you hang on to your hard-earned money:

- **E-file with direct deposit.** File your tax return electronically and ask the IRS to deposit the refund directly into your bank account. There are a number of websites that allow taxpayers to prepare and file their taxes for free, such as the IRS Free File program (www.irs.gov/efile/index.html). Consumers who e-file usually get the refund within 2 weeks. Don't have a bank account? You still may be able to e-file and get your refund fast. The Treasury Department is piloting a new program where selected consumers can direct deposit their tax refund onto a MyAccountCard Visa® Prepaid Debit Card. The agency is also encouraging payroll card users participating in the pilot to direct deposit their refund onto an existing payroll card. For more information, visit www.myaccountcard.gov.
- **Find out if you qualify for free tax help.** Low-income taxpayers (\$49,000 or less), elderly persons and military personnel and their families have a number of options for free tax preparation, including Volunteer Income Tax Assistance (VITA) (1-800-906-9887 or www.irs.gov) and AARP Tax-Aide sites (www.aarp.org/applications/VMISLocator/searchTaxAideLocations.action). Choosing a VITA or AARP Tax-Aide site can save you both the cost of a RAL and the cost of a tax preparation fee.
- **Choose carefully when hiring an individual or firm to prepare your taxes.** Tax payers are legally responsible for what's on their tax returns, not their tax preparer. Make sure you choose a professional and honest tax preparer who has a track record of providing excellent service to their clients. Get recommendations from friends and check with SCDCA or the appropriate regulating agency to see if a complaint has been filed against the person or company.

SCDCA aims to protect consumers from inequities in the marketplace through advocacy, complaint mediation, enforcement and education. To file a complaint or for information on consumer issues, visit www.sconsumer.gov or call toll-free, 1-800-922-1594.