



## **IRS considers new restrictions on refund anticipation loans** *State offers resources*

**By Kelly E. Slay**  
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The Internal Revenue Service (IRS) announced it is considering a proposal to restrict tax preparers from offering refund anticipation loans (RALs) in connection with preparation of tax returns, according to American Banker. Anecdotal evidence has shown that tax preparers promote tax fraud when they encourage their consumers to inflate their anticipated tax refund. Now more than ever before, advocates have a huge responsibility and role to play in both educating consumers and proposing policies that will protect their assets. They can start by writing letters to the IRS during the 90-day comment period. More information on the proposed rules can be found at [http://www.irs.gov/pub/irs-drop/reg-136596-07\\_anprm.pdf](http://www.irs.gov/pub/irs-drop/reg-136596-07_anprm.pdf).

With the catastrophic housing market, rising costs of food and energy, and recession talks looming, many cash-strapped Americans will be tempted by these quick yet very costly loans during this tax season. In a recent press conference with the Illinois Department of Financial and Professional Regulation, John Bouman, president of the Shriver Center said about RALs, “They take this chance to develop an asset, and they turn it into expensive, bad debt.”

RALs are short-term cash advances against a customer’s anticipated income tax refund, and though a fairly low risk to lenders, are offered at interest rates ranging from 40% to over 700% APR. Research shows that an overwhelming majority of loan recipients are the working poor, and that RAL lenders strip an average of \$1.57 billion each year from recipients of the Earned Income Tax Credit, the largest federal poverty assistance program. Additionally, RALs only speed up the refund by as little as one week when compared to filing online and having the refund directly deposited into a bank account. To learn more, visit <http://www.responsiblelending.org/issues/refund/>.

State advocates can support legislation to institute usury caps, which limit the interest rates that lenders are able to charge. State agencies can promote websites that encourage consumers to e-file their taxes and link to free tax preparation resources. Brian Hamer, Director of Illinois Department of Revenue, says e-filing is the best way to go. “It is fast, easy and secure.” See <http://myrefund.illinois.gov/> for more information.

The Shriver Center is committed to building the stability of our families and working to move individuals from poverty to prosperity through asset-building and protection. For more information contact Dory Rand at [doryrand@povertylaw.org](mailto:doryrand@povertylaw.org) or Kelly E. Slay at [kellyslay@povertylaw.org](mailto:kellyslay@povertylaw.org)