

**Refund Anticipation Loans
(RAL)—paying someone else to
borrow *your own money!***

A RAL is not a rapid refund—it is a loan!

(RALs) are high-cost, short-term cash advances against a customer's anticipated income tax refund. But the loans are offered at high interest rates, which can range from 40% to 700% APR. Essentially, taxpayers are paying high interest rates to **BORROW** their own money!

The cost of a RAL...

Based on national averages, a EITC qualified taxpayer could expect to pay up to **\$368** in fees for refund loans, electronic filing, check cashing and tax preparation fees to obtain a \$2,150 refund.*

Unlike Volunteer Income Tax Assistance (VITA) sites which offer free tax preparation, many RAL programs contain hidden fees. For example, "cash cards", which are marketed as debit cards will charge setup fees, loan fees and other monthly charges that can add up to \$55 or more deducted from your refund.

RAL vs. VITA Programs

For a refund of \$2,150 in 2006 an earned income credit customer would pay the following fees:

<u>RAL</u>		<u>VITA Site</u>	
Loan fee	\$ 33	Loan fee	\$ free
Application fee	\$ 75	Application fee	\$ free
Tax Preparation	\$100	Tax Preparation	\$ free
E-file fee	\$ 40	E-file fee	\$ free
Check cashing fee	\$ 65	Check cashing fee	\$ n/a
Cash card fee(s)**	\$ 55	Cash card fee(s)	\$ n/a
	\$368		\$ free

* Center for Responsible Lending, 2006

** www.ipowercashcard.com available through Jackson-Hewitt Tax

Don't Fall Victim!!



Tax schemes come in many different shapes, ranging from promises of large, fast refunds to illegal tax credits.

The IRS suggests that you remember these guidelines:

- ◆ You are responsible and liable for the content of your tax return
- ◆ Anyone who promises you a bigger refund without knowing your tax situation could be misleading you
- ◆ **Never** sign a tax return without looking it over for accuracy



According to a 2005 study by the National Consumer Law Center, lenders and paid tax preparers strip about \$1.57 billion in fees each year from the earned-income tax credits paid to working parents.

**Earned Income Tax Credit
Overview**

What is Earned Income Tax Credit (EITC)?

The Earned Income Tax Credit was established in 1975, and has since been described as, "the best anti-poverty, the best pro-family, the best job creation measure to come out of congress."¹



- ◆ Nearly 1 in 5 children live in poverty
- ◆ 75% of children in poverty—8.7 million—live in working families
- ◆ Since 1975, EITC programs have lifted 4.8 million families out of poverty—affecting 2.6 million children
- ◆ Qualified families can receive up to \$4500 of Earned Income Credit when filing taxes
- ◆ EITC encourages asset-development that creates opportunities for families to permanently move out of poverty

¹ Former President Ronald Reagan

Other ways to save at Tax Time.....

E-file with Direct Deposit. File your tax return electronically (E-file) to speed up the refund process. You can request the refund be deposited directly into your bank account.

Open a bank account. If you don't have a bank account, open one up to take advantage of direct deposit. You can use a savings or checking account to

receive your tax refund. With the **"Split Refund Option"** you can direct your deposit into three (3) accounts (checking, savings, or retirement account).

Participate in an Individual Development Account (IDA) matched savings program. IDAs are a matched savings incentive

program for low-income residents who live in Riverside County. Participants earn a savings match of \$2 for every \$1 saved toward the purchase of a first home, advanced educational pursuit or small business capitalization.



This information is provided through a partnership with United Way of the Inland Valleys, Bank of America and Community Action Partnership of Riverside County Volunteer Income Tax Assistance (VITA) program which offers free tax preparation throughout Riverside County.

For the nearest **FREE** VITA site, call CAP Riverside at (951)955-4900 or the Riverside County 211 Information Line or visit the Community Action Partnership of Riverside County website at <http://communityaction.riversidedpss.org/cap/>

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**WHY PAY
SOMEONE
ELSE TO USE
YOUR
MONEY?**



**AVOID TAX
REFUND
LOANS!**

**Don't spend
extra \$\$\$ when
you don't have
to!!!!**

