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NEWS RELEASE

Credit Advisors Foundation

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CONSUMERS PAY HIGH PRICE FOR TAX REFUND MONEY

Americans are feeling the need for extra cash in their pockets. One cash option they are looking to is their federal and state income tax refunds. So far the average tax refund in 2009 has been \$2,429, up \$232 from last year. However, some people don't think they can wait for the IRS. They turn to alternative methods to get their refund money fast, sometimes paying more than just large fees.

Many scammers attempt to steal the identity of consumers who desperately need their tax refund money. Two typical tax scams are:

- Claming to be a company that can get tax refund money extra fast
- Claming to be the federal and/or local government reporting unclaimed refund money

In both cases, scammers ask for personal information including social security numbers and bank account numbers.

"Never give your personal information to any organization before researching them. Check with your local Better Business Bureau or your state's Attorney. Keep in mind, the government will never ask for personal information in an e-mail," said Michaela Harper Community Education Director at Credit Advisors Foundation

There are legitimate companies that offer instant tax refund loans. Refund Anticipation Loans (RAL) are offered by many tax filing companies and other lenders. The annual interest rate of these loans is high, anywhere from 50 to 500 percent. Fees can also run high, with one national tax filing organization charging \$200 in fees for a \$2,000 loan. That is a loss of 10 percent in loan fees.

Last year, one in every 11 refunds involved a RAL despite the hard economic times. This number is expected to decrease this year. People who have relied on RALs for years are being denied for the first time due to their credit history. The banks that support RALs are tightening their credit criteria and running risk assessments to see make certain the loan will be repaid. Many people who are expecting to get an RAL are not aware that banks support the loans.

It is relatively easy to get tax refund money quickly without taking out an RAL. The IRS provides free e-filing for those who made \$56,000 or less in 2008. For people with a gross income over \$56,000, there is a minimal fee charged by the tax prepares who submit your e-filing form. Using e-file and direct deposit, consumers can receive their federal tax refund in 10 days or less. Find out more about free e-filing at the IRS's web site <http://www.irs.gov/efile/article/0,,id=118986,00.html>.

If you would like more information on this or any other financial topics, please contact Michaela Harper at 402-514-3310.

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