



**Illinois Department of Financial and
Professional Regulation**



NEWS

FOR IMMEDIATE RELEASE:

December 18, 2008

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State Officials Warn Against High-priced Refund Anticipation Loans

Loans can cost as much as 1/3 of total refund in interest and fees

SPRINGFIELD – In a letter sent to newspapers across the state, Brian Hamer, Director, Illinois Department of Revenue and Michael T. McRaith, Acting Secretary, Illinois Department of Financial and Professional Regulation, urge Illinois families to resist the temptation to use potential tax refunds to help pay for holiday treats.

“Some well-known tax preparation companies are aggressively promoting pay-stub or holiday loans to boost their corporate bottom lines ahead of the start of tax season,” Secretary McRaith noted. “It is not in the best interest of Illinois families to borrow against next year’s refunds at the high interest rates these companies charge.”

“We urge every taxpayer to wait a few more weeks and then in January file electronically,” said Hamer. “Taxpayers can file their return for free at www.tax.Illinois.gov, ask their tax preparer to file their Illinois return electronically, or file electronically using tax preparation software.”

The text of the letter follows:

All of us want to enjoy this holiday season, even if the economic downturn has pinched our family budgets. Illinois families may be tempted by aggressive marketing plans that encourage taking an “advance” on anticipated tax refunds to buy presents, take winter vacations or purchase new clothes in time for the holidays.

These innocent sounding “advances” are really Refund Anticipation Loans (RALs) and come at a high price with expensive fees, high interest rates and possible future debt. Some well-known tax preparation companies are aggressively promoting pay-stub or holiday loans to boost their corporate bottom lines ahead of the start of tax season.

These companies don't tell their customers that the loans can cost as much as 1/3 of their total refund in interest and fees. Worse yet, they can force a borrower into even greater debt by overestimating a family's refund. By waiting just a few short weeks, working families can get their entire tax refund. Illinois refunds come in about a week if filed electronically. Federal refunds can be processed in about two weeks. Families that opt to have their refunds direct-deposited instead of mailed will have access to their refunds as soon as they are sent.

The Illinois Earned Income Tax Credit (EITC) provides hundreds of thousands of Illinoisans a larger refund or credit than they would otherwise receive. Sadly, lower-income workers who are eligible for the EITC are the most profitable targets for RALs. Nationwide, low-income workers comprised over 60 percent of all RAL borrowers. In Illinois, more than 38 percent of all EITC recipients used refund anticipation loans.

We therefore want to remind taxpayers: It's your refund, get it fast and get it all. We urge every taxpayer to wait a few more weeks and then in January file electronically. Taxpayers can ask their tax preparer to file their Illinois return electronically, file electronically using tax preparation software or file their return for free at www.tax.Illinois.gov

Brian Hamer,
IDOR Director

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