



# TEXAS ATTORNEY GENERAL OFFERS TAX SEASON TIPS

by Texas Attorney General Greg Abbott

WITH THE APRIL 15 FEDERAL INCOME tax filing deadline fast approaching, many Texans will undoubtedly encounter billboards, e-mails and direct mail that advertises tax return-related services. As with any contractual agreement, Texans should carefully read the fine print before entering into a financial transaction involving their income tax returns. Taxpayers who understand the nature of these agreements are more likely to make informed decisions that just might save some of their hard-earned money.

For example, Texans should always avoid tax preparation services that “guarantee” the largest possible tax return. Under federal law, any deductions tax preparers make for their clients must be accurate and legally permissible. Tax preparers that submit false information in order to obtain larger refunds for a client (and higher fees for the preparer), put their clients in legal jeopardy. Competent, legitimate tax preparers will not hesitate to sign their clients’ tax return, so Texans should always avoid preparation services that refuse to sign their clients’ tax returns. Taxpayers who believe a tax preparer is not complying with the law should file a complaint with the Office of the Attorney General.

Many businesses market “instant cash” to taxpayers seeking quick access to their income tax refunds. Tax preparation services, automobile dealerships, furniture outlets and other vendors typically market tax refund anticipation

loans as an “instant cash advance” against a borrower’s expected tax refund. Frequently, the “instant cash” is actually a loan that the taxpayer must repay. Refund anticipation loans often carry processing fees and high interest rates, so the amount of advance cash the taxpayer receives is typically less than the refund they are owed by the federal government.

Under Texas law, refund anticipation loans are perfectly legal as long as lenders fully and clearly disclose certain details to borrowers. Refund anticipation lenders must provide the estimated fees charged for the loan, the annual interest rate and the loan fee schedule in writing. Lenders who advertise in Spanish must provide the same required disclosures in Spanish.

Refund anticipation lenders must also inform borrowers about the average time it takes to receive a refund directly from the IRS, which now offers electronic tax filing and direct deposit refunds. Both significantly speed up the process. According to the IRS Web site, electronic refunds can be processed and deposited into taxpayers’ bank accounts within 10 days. With that in mind, taxpayers should carefully consider which option is in their best interest: instant cash refunds reduced by interest and lender fees, or a full refund from the IRS at a later date.

Texans should also be leery of tax preparers who claim you don’t have to file a return. Federal income taxes are NOT voluntary. Any tax professional

claiming to uniformly exempt taxpayers from their federal income tax liability should be handled with caution. U.S. courts have repeatedly rejected the argument that taxes are voluntary or optional.

Finally, taxpayers need to be aware of a new scam that has developed since President Bush signed the economic stimulus package into law. Under that federal legislation, many taxpayers will receive rebate checks later this spring. Taxpayers who chose to directly deposit their federal income tax return refunds will automatically receive the economic stimulus check electronically. Otherwise, the economic stimulus plan rebates will be transmitted through paper checks in the mail.

Some scam artists are taking advantage of taxpayers’ confusion. According to complaints received by our office, some Texans received unsolicited telephone calls and e-mails from individuals claiming to be IRS agents offering rebates by direct deposit. During the sham telephone calls, the fake agents claimed “Bush refunds” were available via direct deposit in order to obtain the taxpayers’ Social Security numbers and bank account information.

Texans who receive similar calls must recognize that the callers are attempting to steal taxpayers’ identities. The IRS does not unexpectedly call taxpayers to demand their personal information. Taxpayers solicited in this manner should just hang up or delete the e-mails.

## POINTS TO REMEMBER



### TAX SEASON TIPS

- Consider carefully whether a high-interest refund anticipation loan is more favorable than waiting for a larger check directly from the IRS.
- Read tax returns carefully before signing them. Never sign a form with spaces left blank. Taxpayers are responsible even if their returns are prepared by someone else.
- **HANG UP** on scammers who call unexpectedly or pose as IRS agents.

Additional information on tax-related scams and questions is available directly from the IRS at [www.irs.gov](http://www.irs.gov) or by calling **(800) 829-1040**.

To report a tax preparer who is not complying with the law, or to report fraudulent telephone solicitations, file a complaint with the Office of the Attorney General online at [www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov) or by calling **(800) 252-8011**.



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