

ConsumerMatters®

...Because Everyone's a Consumer

Income Tax Refund Advance Loans

You can't avoid death and taxes, but you should avoid income tax advance loans that come loaded with high interest charges and expensive fees.

Charlie knows there are two things he can't avoid: Death and taxes. This year, however, he knows he is in good health and getting a nice income tax refund. But money is tight, and Charlie needs to get his income tax refund as soon as possible.

Charlie keeps hearing about companies that offer instant income tax refunds. The ads are everywhere – radio, TV, billboards. The offers are tempting. An instant tax refund sounds like a great deal.

Stop, Charlie. Instant tax refunds are very expensive loans, known as Refund Anticipation Loans (RALs), that come loaded with high interest charges and expensive fees. RALs are short-term, expensive loans secured by the taxpayer's expected refund. They usually last 7-14 days until the actual IRS refund repays the loan.

An RAL is a sure way for Charlie to lose a good chunk of his hard-earned refund. He would not be alone. In just one year, America's most vulnerable taxpayers – those with low and moderate incomes – lost about \$800 million from their tax refunds to RALs. If Charlie waits just one to two weeks, he could get a full refund from the IRS, not a costly loan.

"The current economic crisis has left many families struggling to put food on the table. Quick money offers are very tempting," said Rigo Reyes, Acting Director, of the County of Los Angeles Department of Consumer Affairs. "But consumers need to know that these loans are very expensive. Waiting a week or two for their full refunds puts more money in their pockets."

How much do RALs cost?

The price of a RAL usually includes several fees and charges:

- A loan fee ranging from \$34 to \$130, which is usually broken down into a "Refund Account Fee" and a "Bank Fee."
- Some tax preparers charge other fees, sometimes called "application," "administrative," "e-filing," "service bureau," "transmission," or "processing" fees. Add-on fees can range from \$25 to several hundred dollars.

- Some tax preparers also offer an “instant” same day RAL for an additional fee generally ranging from \$25 to \$39.

What options does Charlie have if he does not want to pay for an expensive RAL?

- Get his refund by direct deposit. It will get to his bank account faster than a refund check by regular mail.
- Use a credit card or savings account to pay for urgent expenses, and then pay the credit card bill or replenish his savings when he gets his refund.
- Ask a family member or a friend to loan him money for one or two weeks until he gets his refund.
- If he must get an RAL, understand how much the loan will cost him, especially add-on fees that can double or triple the costs.

Where can Charlie file a complaint if he needs help with an RAL?

Our Department takes this type of complaints. Charlie can call us at **800-593-0822**. He can also visit our [Website](#) for a [Complaint Form](#) and information about our [office locations and hours](#) if he wants to come in person.

Sorry, Charlie, our Department lacks jurisdiction over complaints against Death or the IRS.

Your [Department of Consumer Affairs](#) encourages you to share this information with anyone who may find it useful.