

## WAYS TO SAVE AT TAX TIME

Here are ways to take a pass on that RAL—most folks don't need one—and save money at tax time:

**E-File with Direct Deposit.** File your tax return electronically (E-file) to speed up your refund. Tell the IRS to deposit the refund directly into your bank account—you provide your account number right on your tax return. You can get a refund in eight to fifteen days (or even faster)—without paying one cent extra for a loan.

There are also free services for e-filing, such as [www.icanefile.org](http://www.icanefile.org). The IRS partners with commercial tax preparers to provide free services to many taxpayers. Go to [www.irs.gov](http://www.irs.gov) and click on “Free File” on the right hand side of the page.

**Get 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 account to receive your tax refund, and maybe save some of it for a down payment on a house or a car, or to build a nest egg.

**Wait just a bit longer.** Do you really have to get cash from your tax refund today? Can you wait a few weeks to save \$65 to \$100? If you have an urgent bill to pay, ask for more time until the tax refund check comes from the IRS. Don't take on a new expensive debt to pay an old bill.

**Avoid Check Cashers.** Check cashers charge an extra fee to cash RAL and tax refund checks. The average check cashing fee is about 3%. So if you receive a \$3,300 refund, it might cost you about \$100 to cash the RAL check—on top of the RAL and tax preparation fees. A smarter move is to use a bank account.

## SAVE \$ AND AVOID RALS— USE A VITA SITE

A great way to save money at tax time is to go to a Volunteer Income Tax Assistance (VITA) program. VITA sites provide free tax preparation to low- and moderate-income taxpayers. VITA sites are sponsored by the IRS and can be found in libraries, community centers, and other locations during tax time. VITA sites can also file your taxes electronically.

**For the nearest VITA site,** call the IRS general help line toll-free at 1-800-TAX-1040 or go to [www.tax-coalition.org](http://www.tax-coalition.org) or <http://extension.missouri.edu/hes/taxed/vitasites.htm>.

The following is a VITA site  
serving your community.

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**DON'T PAY  
TO BORROW  
YOUR OWN MONEY**

**The Risks  
and Costs of  
Tax Refund  
Anticipation Loans**



## The **"TAX REFUND"** That Really Isn't One— It's a **REFUND ANTICIPATION LOAN**



How would you like to pay a high price to borrow money that already belongs to you? Sounds ridiculous, right? But that's pretty much what happens to many folks at tax time in the world of RALs, or refund anticipation loans.

You may be tempted by tax-time advertisements for "Fast Cash Refunds," "Money Now," or "Instant Refunds." These ads will offer to get you your refund in just a day or two, or even on the spot. Beware! Many of these "fast refunds" are really LOANS, refund anticipation loans.

When you get a RAL you're borrowing against your own tax refund money. And RALs are often marketed to people who need money the most—low- and moderate-income workers who receive the Earned Income Tax Credit.

### **DON'T PAY TO BORROW YOUR OWN REFUND.**

RALs can be expensive. Loan fees typically range from \$30 to \$130, which translates into Annual Percentage Rates (APRs) of about 50% to nearly 500%. And some tax preparers will add even more fees, from \$25 up to several hundred dollars! All to get your tax refund just a week or two earlier than you can for free from the IRS. You're lining someone else's pockets with YOUR hard-earned money!

RAL fees, combined with tax preparation and other fees, can end up eating away a big chunk of your refund.

### **RALS CAN BE HAZARDOUS TO YOUR FINANCIAL HEALTH.**

In addition to their high costs, RALs can be risky. Since a RAL is a loan from a bank in partnership with a tax preparer, it must be repaid *even if the IRS denies or delays your refund, or your refund is smaller than expected*. If you don't pay back the RAL, the lender will take actions to hurt your credit rating and may send your account to a debt collector. In addition, when you apply for a RAL, you are giving the lender the right to grab your tax refund to pay for old tax loan debts that the lender claims you owe.

**An Example:** If your tax refund is \$3,300, you might pay to get a RAL:

<b>RAL loan fee</b>	\$65
<b>Other RAL fees</b> (transmitter, e-file, service bureau or application fees)	\$40
<b>Combine that with the fee you need to pay the tax preparer:</b>	<b>\$185</b>

**Total \$290** or **nearly 10%** of your refund