

March 18, 2002  
PR-057-02  
www.nyc.gov

## **MAYOR MICHAEL R. BLOOMBERG, COUNCIL SPEAKER GIFFORD MILLER AND CONSUMER AFFAIRS COMMISSIONER GRETCHEN DYKSTRA URGE NEW YORKERS TO TAKE FULL ADVANTAGE OF THE EARNED INCOME TAX CREDIT**

### ***Department of Consumer Affairs Also Warns Against Expensive Instant Refund Products That Could Reduce Anticipated Benefits***

Mayor Michael R. Bloomberg and City Council Speaker Gifford Miller today held a press conference to encourage New Yorkers to take advantage of the Earned Income Tax Credit (EITC). Each year an estimated 230,000 eligible New Yorkers fail to take advantage of the EITC, costing the New York economy approximately \$463 million dollars. The Mayor and Speaker also urged New Yorkers to avoid expensive instant refund products offered by tax preparers. Department of Consumer Affairs ([DCA](#)) Commissioner Gretchen Dykstra and Executive Director of the Community Food Resource Center (CFRC) Kathy Goldman also attended the event in the Blue Room at City Hall.

"At a time when the U.S. and the New York economy are struggling, New Yorkers who need it most are missing out on a valuable tax credit that could help to pay for rent, buy clothes for their children, or put food on the table," said Mayor Bloomberg. "Every dollar counts, and we're here today to provide New Yorkers with the tips they need to protect themselves and ensure that they are getting all the income they deserve."

"The Earned Income Tax Credit is one of the most effective anti-poverty programs ever developed," said Speaker Miller. "By targeting tax cuts for the people who need them, the EITC will make it easier for the hundreds of thousands of working New Yorkers who are struggling to move off of welfare during rough economic times. Now more than ever, this is an essential tool for fighting poverty and fostering a citywide recovery. We need to make sure that every eligible taxpayer in the city takes advantage of it."

The EITC was created by Congress in 1975 to support low-income families, and is available to families earning less than \$32,121 a year and individuals earning less than \$10,710. The amount of the credit is determined by the amount of income and the size of the family with the lower income earners getting larger credits. According to the Internal Revenue Service (IRS), the average Federal EITC was \$1,611 last year.

The IRS estimates that in 2000, up to 30% of the eligible New Yorkers did not file for the EITC. New York State gives a 25% matching EITC which would add an average \$403, for a total of \$2,014. If every eligible resident took advantage of the EITC, it could mean an infusion of hundreds of millions dollars into the New York City economy.

"Through our media and community outreach campaign, we are attempting to reach the 230,000 New Yorkers who are eligible for the Earned Income Tax Credit and just don't know it," said Executive Director Goldman. "In working with community groups and unions, in just a few weeks, CFRC has helped 500 working families get an average of \$2,000 in their pockets, and more than a million dollars in total refunds, to help meet basic needs, such as paying rent and buying food. But, the fact is, we can't reach everyone and we thank Mayor Bloomberg and Speaker Miller for working with us to get the word out."



Refund Anticipation Loans (RAL) are a loan product offered by tax preparers in which the consumer's anticipated refund is used as collateral for the loan. The application indicates that the finance charge for that service is \$39.95 for a \$500 loan, with a 224% estimated annual interest rate. This does not include any other type of finance charges for such services as document preparation and electronic filing fees which are routinely charged and which can raise the actual interest charged to in excess of 500%.

"Refund Anticipation Loans advertised as Instant Money or Rapid Refunds by tax preparers can be confusing to consumers who think they are getting their own money back faster than they normally would," said Commissioner Dykstra. "But when consumers sign on for a Refund Anticipation Loan they are borrowing against their own money at an exorbitant rate -- this instant borrowing could decrease any benefit consumers hope to get in tax credits. We will keep a sharp eye on the advertising and solicitation practices of tax preparers who may want to take advantage of low income consumers hoping to get much needed relief, and will vigorously pursue any violations of the law to ensure that New York taxpayers are protected."

DCA offered the following tips for selecting a tax preparer to consumers:

- Check the tax preparer's qualifications, education, and experience. Tax preparers who are not licensed accountants or lawyers must reveal this fact. All claims regarding qualifications by a tax preparer must be verifiable. Ask your friends and family for recommendations.
- Find out how the tax preparation fee will be computed. Consumers have the right to know all of the charges and must be given a receipt that lists the costs associated with each return.
- Make sure you are not pressured into a Refund Anticipation Loan (RAL); if you are willing to pay extra to get your refund sooner, consider filing electronically without applying for the loan. These products include electronic IRS Direct Deposit of your refund to your bank account.
- Do not sign an incomplete return or one that is filled out in pencil. It could be altered later.
- Check your return for accuracy. Remember that you are legally responsible for the accuracy of your return.
- Obtain a copy of your return from the tax preparer.
- Never send cash to the government for payment of your taxes. Use a check or money order.
- Do not allow your refund to be mailed to the tax preparer.

There are a number of free programs that can assist eligible taxpayers in the preparation of their returns. Community Tax Aid, Inc. (CTA) offers free tax preparation assistance to taxpayers of modest means, defined as single taxpayers with annually incomes up to \$18,000 and family taxpayers with incomes up to \$25,000. To find out more about the location of the CTA program nearest you in the five boroughs call the Mayor's Voluntary Action Center at (212) 788-7550. Or contact the Community Food Resource Center, which offers free tax assistance to New Yorkers in Harlem, Washington Heights, the South Bronx and Sunset Park, Brooklyn at (866) WAGE-PLUS, or to speak with someone in Spanish at (866) DOLARES, for details on locations.

Consumers can obtain free Federal income tax information by calling the Internal Revenue Service toll-free at (800) 829-1040. To get information about New York State and local income taxes, contact the New York State Department of Taxation and Finance at (800) CALL-TAX or (800) 225-5829.

Consumers who wish to obtain a free copy of the Consumer Guide To Tax Preparation Services, which includes the Consumer Bill of Rights Regarding Tax Preparers should send a stamped self-addressed



envelope to: NYC Department of Consumer Affairs, Tax Preparation Guide, 42 Broadway, 8th Floor, New York, NY 10004 or visit the DCA website at [www.nyc.gov/consumer](http://www.nyc.gov/consumer).

**[www.nyc.gov](http://www.nyc.gov)**

Contact: Edward Skyler / Jennifer Falk  
(212) 788-2958

Chris Policano (Council)  
(212) 788-7113

John Radziejewski ([DCA](#))  
(212) 487-4283