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NEW YORK CITY DEPARTMENT OF CONSUMER AFFAIRS ANNOUNCES CITYWIDE ENFORCEMENT SWEEP OF INCOME TAX PREPARERS

Commissioner Mintz Issues Consumer Alert: Beware of So-Called "Rapid Refunds"

New Yorkers Encouraged to Call 311 to Locate Low-Cost Professional Tax Preparation at City-Sponsored Tax Prep Plus Sites

Department of Consumer Affairs (DCA) Commissioner Jonathan Mintz today announced the results of the Department's comprehensive investigation into advertising and sales practices of the City's income tax preparers. During the first four weeks of the sweep, which began last month and will continue through tax season, Consumer Affairs inspectors examined more than 430 tax preparation businesses and issued more than 1,200 violations. Top violations included deceptively advertising refund anticipation loans (RALs) as "rapid" or "instant" refunds. Refund anticipation loans are high-interest, predatory loans secured by a taxpayer's estimated refund and are designed to offer customers quicker access to their refund.

"Refund anticipation loans are expensive and a bad idea for consumers. Any tax preparer who attempts to sell such loans by deception will answer to us," said Consumer Affairs Commissioner Jonathan Mintz. "Consumers only have to wait eight to 10 days to get their full refund from the IRS and enjoy every penny of what they deserve."

This year, DCA increased its inspections of income tax preparers by 43 percent. Inspectors targeted businesses charged with violations in 2008, as well as neighborhoods with high percentages of Earned Income Tax Credit (EITC) filers. The Department issued over 1,200 violations to 150 businesses, with business compliance rates increasing from 56 percent to 65 percent this year. Total fines from the enforcement sweep could reach as high as \$600,000.

RALs are often marketed as "instant" refunds or "24-hour" refunds. However, RALs are actually expensive, high interest-bearing loans that consumers must pay back even if their refund is not as large as they had anticipated – a fact that is often not disclosed by income tax preparers. RALs are not illegal, but income tax preparers must disclose that these products are loans with interest rates as high as 300 percent, significantly decreasing an expected refund.

This year, as a safe and affordable alternative to professional tax preparation services, the City expanded its Tax Prep Plus program Citywide. Tax Prep Plus offers professionally prepared tax returns by a Tax One professional for only \$20 at 12 community-based organizations across the City. Families earning less than \$55,000 and individuals earning less than \$30,000 qualify. Tax Prep Plus sites will not offer

refund anticipation loans and other predatory products to their customers, ensuring that consumers get every portion of their refund. Tax Prep Plus preparers will also help City residents claim tax credits that can boost their refunds, which may include the EITC and the City's Child Care Tax Credit (CCTC).

DCA's Office of Financial Empowerment (OFE) spearheads the New York City EITC Coalition, which offers free and low-cost tax preparation services for New Yorkers with low incomes. New Yorkers can call 311 to learn the eligibility requirements for EITC and information about the New York City CCTC.

To learn more about free and low-cost tax preparation services in New York City, or for free copies of the Tax Preparation Services Guide and the Consumer Bill of Rights Regarding Tax Preparers, call 311 or visit www.nyc.gov/consumers.

DCA enforces the Consumer Protection Law and other related business laws throughout New York City. Ensuring a fair and vibrant marketplace for consumers and businesses, DCA licenses more than 60,000 businesses in 55 different categories. Through targeted outreach, partnerships with community and trade organizations, and informational materials, DCA educates consumers and businesses alike about their rights and responsibilities. OFE is the first municipal office of its kind in the nation with a mission to educate, empower and protect New Yorkers with low incomes, to help them make the best use of their financial resources to move forward economically. For more information, call 311 or visit DCA online at www.nyc.gov/consumers.

Hiring a Tax Preparation Service This Tax Season? Follow These Tips:

- **Avoid "Instant," "Rapid," "Express," or "Fast Cash" refunds.** "Instant" refunds are actually loans with extremely high interest rates known as refund anticipation loans (RALs). RALs must be repaid even if you don't get your refund or it is smaller than you expected. If you have a bank account and file your taxes electronically, you can arrange for direct deposit of your refund in as little eight days. Ask your tax preparer about this option.
- **Know Your Rights When Dealing with Tax Preparers.** Tax preparers must post their qualifications, fees and charges, and whether or not they will represent you at a government audit. Preparers must sign every tax return, and provide customers with a copy of your tax returns and a receipt for your service.
- **Protect Yourself.** Tax preparers may not charge you fees based on the amount of taxes you owe or your anticipated refund. Never sign a tax return that is blank, incomplete, or filled out in pencil. It could be changed later. Tax preparers are required by law to give each customer a free, current, and legible copy of the Consumer Bill of Rights Regarding Tax Preparers before any discussions with a consumer. Visit www.nyc.gov/consumers to download a copy.
- **Don't pay cash.** Never mail cash when paying your taxes. Pay by check or money order only.
- **File a complaint with DCA.** Call 311 or visit www.nyc.gov/consumers to contact DCA.

Expecting a Refund This Tax Season? Follow These Tips To Make the Most of Your Refund:

- **Pay Down Your Debt.** The interest on your debt is costing you money, so paying it down saves you more in the long run. If you have multiple credit cards or loans, pay down the debt with the highest interest rate first.
- **Make a Deposit into a Checking Account.** Your tax preparer can help you “split your refund” between two or three different accounts. Think about putting part of your refund into a checking account at a bank or credit union to use for immediate expenses.
- **Start a Rainy Day Fund.** Put a portion of your tax refund into a savings account to start a rainy day or emergency fund. This tax season, as a special limited-time offer, select free VITA tax preparation sites will offer SaveNYC Accounts providing a 50% “match” up to \$250 on the money you decide to save. Visit nyc.gov/ofe for more information.
- **Start or Boost Your Retirement Savings.** If you haven’t started saving for retirement yet, put part of your tax refund into a retirement account, such as an Individual Retirement Account (IRA). Be sure to shop around to get the best deal—annual fees and tax advantages can vary depending upon the account.
- **Make an Extra Mortgage Payment.** If your other expenses are covered, think about making an extra payment on your mortgage. Make sure it is applied to your principal. This will help you save money on interest and reduce the amount of time it takes to pay off the loan.