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INSPECTION RESULTS SHOW MAJORITY OF TAX PREPARERS ARE PROVIDING 'CONSUMER BILL OF RIGHTS' AND DISCLOSING LOANS

DCA Offers Tax Preparation Protection Tips; Consumers Warned to Avoid High-Interest Refund Loans & Urged to File for the EITC

While some New Yorkers dread the tax season, there's some good news: almost halfway through the tax season, the New York City Department of Consumer Affairs (DCA) reports 70% of tax preparers inspected are giving consumers their Taxpayer Bill of Rights and for preparers offering high-interest refund loans, 90% are clearly disclosing all costs, as required by City law. Since January, the DCA has cited a total of 46 private tax preparers for not complying with City requirements. First time offenders face maximum penalties of \$500 per violation, while repeat violators face a maximum of \$750 per violation. To ensure consumers are protected, the DCA has checked more than 100 locations citywide and continues to conduct 'surprise' visits throughout the tax season.

Families earning less than \$37,000 have an even bigger incentive to dig out those W-2's - they may qualify for the Earned Income Tax Credit, or EITC, and could be eligible for as much as \$6,000 back when they file their taxes.

"When having your taxes done, knowledge is power and protection. Know your rights and find out if you qualify for money back, with credits like the EITC that could give you an unexpected boost. Hard-working New Yorkers have the right to know that their tax forms are prepared correctly, who will represent them in case of an audit, and more importantly, where a preparer can be reached after April 15," said DCA Acting Commissioner Jonathan Mintz. "Avoid fly-by-night shops that set up just for these short few weeks and then disappear; refuse high-interest refund loan products that promise fast money but deplete the refund that is rightfully yours; and if a preparer isn't being up front about costs or your rights, take your business elsewhere and call 311."

Tax preparers, with the exception of CPA's, enrolled agents, and attorneys, are required to give each customer a free, current, and legible copy of the Consumer Bill of Rights Regarding Tax Preparers. Tax preparers who offer refund anticipation loans (RALs) must disclose the cost of the loan to consumers prior to preparing the loan documents.

Under City law, it is **illegal** for a tax preparer to:

- Misrepresent his or her qualifications.
- Guarantee a tax refund or that a taxpayer will not be audited by any government tax agency.
- Charge a fee based upon the amount of tax owed or refund due.
- Claim to give taxpayers an "instant tax refund" that is actually an interest-bearing loan.

Refund anticipation loans (RALs) are loan products offered by many tax preparation services in which the consumer's anticipated refund is used as collateral for the loan. The loan amount is up to the expected tax refund, and the refund from the Internal Revenue Service (IRS) goes towards repaying the loan. Taxpayers, however, receive only the portion left after all fees and interests due on the loan - usually at exorbitant rates - have been deducted from the total loan amount. In actuality, a tax refund can be obtained from the

IRS at no cost within 14 days or less if filed electronically and deposited directly in a consumer's checking account.

By law, any advertisement for a RAL must clearly say it is a loan, and disclose that a fee or interest will be charged by the lender. In addition, a tax preparer must disclose the following to consumers and provide consumers with a written notice in English and Spanish stating:

- That a taxpayer is not required to take out a RAL.
- The fees to be paid for taking out such a loan.
- The estimated annual percentage rate to be paid for the loan based on the amount of time the loan will be outstanding.
- The approximate loan amount the taxpayer will receive.
- The approximate date by which the taxpayer can expect to receive the loan amount.

DCA works with organizations and government agencies to further inform preparers of their responsibilities when preparing taxes in New York City.

Also during the tax season, consumers should ask their tax preparer if they qualify for the Earned Income Tax Credit, a federal, state, and city tax credit that could return a maximum of nearly \$6,000 in cash refunds to qualifying working families making less than \$37,000 a year. The DCA coordinates New York City's EITC Campaign, which through its private, non-profit, and government partners, sponsors more than 40 free tax preparation sites citywide for New Yorkers earning less than \$40,000 a year. For more information on the EITC and New York City's Campaign, visit www.nyc.gov/eitc.

To file a complaint or to request copies of the Taxpayer Bill of Rights in English and Spanish, DCA's complete Tax Preparation Services consumer guide, or for information on the citywide Earned Income Tax Credit campaign and locations to have taxes filed for free, call 311 or go online at www.nyc.gov/consumers.