



MARK MILLER

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SENATOR MILLER URGES CAUTION WITH TAX REFUND LOANS

DOR works with local financial institutions to offer alternative to high interest "Instant refund" checks

Madison –With tax filing season upon us, Senator Mark Miller (D-Monona) cautions consumers about “instant” or “fast” tax refunds that some tax preparation companies and even car dealerships offer.

People without checking or savings accounts often obtain tax refund loans known as Refund Anticipation Loans (RALs) that enable them to receive their tax refunds immediately. But the trade off is unnecessary fees and high interest rates. According to the Wisconsin Department of Revenue (DOR) an average refund of \$2,000 can translate to associated fees of \$250 or more. Additional fees may apply if the refund is delayed or denied for any reason. The DOR reports that Wisconsin taxpayers paid about \$28.5 million in fees associated with RALs in 2003.

“Consumers who use RAL’s pay a hefty price to borrow their own money,” said Miller. “These predatory loans are aimed at low-income tax filers who may be unaware of less costly alternatives.”

During the tax season, the DOR in conjunction with the IRS and the American Association of Retired Persons (AARP) operate free Volunteer Income Tax Assistance (VITA) sites around the state. At these sites, trained volunteers provide free tax preparation services to people with low incomes, the disabled, and individuals with limited English proficiency and the elderly. By teaming up with local financial institutions, VITA sites can also provide consumers an alternative to costly refund loans.

At a number of VITA sites, tax filers are being provided the opportunity to open a personal checking or savings account with representatives of participating local financial institutions. Opening an account provides a quick and easy way to deposit an electronic refund.

Before electronic filing was available, refund loans were appealing since paper filing often took weeks to process. With the availability of e-filing, state and federal tax refunds can now be processed in days and deposited directly into a personal bank or credit union account. Electronic filing allows consumers a way to receive their refunds quickly and efficiently at little or no cost. A simple savings or checking account is all that is needed.

“With this partnership, taxpayers will be able to keep more of their hard-earned money rather than hand it over to the predatory lenders who market these costly “Instant Refund” checks,” said Miller.

In the 16th Senate District, VITA sites are located throughout Dane, Columbia and Sauk counties. To find the nearest location and hours of operation, contact the IRS at **1-800-829-1040** or AARP at **1-888-227-7669** or the Wisconsin Department of Revenue at **608-266-2772** or at their website at www.dor.state.wi.us.

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