



TAX REFUND LOANS DON'T GIVE AWAY YOUR REFUND

Some tax preparers offer a way to get your tax refund fast. These are called Rapid Refunds or Refund Anticipation Loans (RALs). They promise to get your money to you in only a few days. Before you go get your “fast cash,” here are some things you should know:

You don't need to take out a loan to get your taxes done. You can get your taxes done for free.

Refund Loans have **high interest rates and fees!** Here are the costs of 3 ways to get a \$1,500 loan for 2 weeks:

Refund Loan (RAL) fees	\$75.00
Credit Card Interest Charges (at 21% interest)	\$26.25
Borrowing from friends	\$ 0

The larger the refund, the higher the fees!!

If you get a Refund Loan, you will end up with a smaller refund.

Your Tax Refund	\$ 1,500.00
Tax Preparation Fees	\$ -100.00
Refund Loan Fees and Interest	\$ - 75.00
You end up getting only	<u>\$ 1,325.00</u>



You paid them \$75 for the loan, and \$100 for tax help you can get free.

Your refund can be taken to pay off another loan. If you owe money to a bank or other companies, signing Refund Loan forms may let them use your refund to pay off money you owe. **Signing the loan form may leave you no refund at all!!**

The IRS checks (audits) some tax returns each year. If they choose to check yours, your refund may be frozen by the IRS. The company that gave you the Refund Loan won't be paid until the IRS is done checking your return. The company will then charge you even more interest.

HOW CAN I GET MY WHOLE REFUND QUICKLY FOR FREE?

Get your tax returns prepared for **free**. Volunteer Income Tax Assistance (**VITA**) sites are open all over Minnesota during tax season. They will do your taxes for free. Some sites offer computer filing. To find one near you, call United Way statewide at 211 or (651) 291-0211 from a cell phone.

Have the IRS deposit your tax refund directly into your bank account. Your refund should go into your bank account within 2 weeks if you file by computer, or 4 weeks if you mail it in. State refunds are deposited even faster!

MAKE SURE YOUR TAX PREPARER FOLLOWS THE RULES

Tax preparers who sell loans (even if you don't buy one) must:

- Do your tax return promptly;
- Fill in the forms before asking you to sign them;
- Sign the tax return themselves;
- Give you a copy of your tax return;
- Keep a copy of your return for 4 years;
- Keep your information private;
- Be honest about their services and prices;
- Do your return even if you don't want a Refund Loan;
- Only claim credits and deductions you appear to qualify for;
- Give you back documents (like a W-2) when you ask for them; and
- Charge a flat fee, **not** a percent of your refund.

Tax preparers who offer Refund Loans must give you a notice showing the Annual Percentage Rate (APR) of the loan, the amount your refund will go down, and the time it will take to get your refund without the loan. They must warn you if you will have to pay more interest if your refund is delayed. **You and the tax preparer must sign this notice.**

S/he must give you a bill listing how much you are paying for

- doing the return;
- computer filing; and
- the Refund Loan (if you get one).



If your tax preparer doesn't follow these rules, report it to the Minnesota Department of Revenue. You can also take them to court. If you win your case, the tax preparer may have to pay your attorney's fees.

If you are low-income, call legal aid at (612) 334-5970 or 1-(800) 292-4150.

To find other Legal Aid Society materials, including any fact sheets mentioned in this document, go to www.lawhelpmn.org/LASMfactsheets.

Minneapolis Legal Aid – CLE
MN Legal Services Coalition
2324 University Avenue W, Ste.101B
St. Paul, MN 55114

Don't use this fact sheet if it is more than 1 year old.
Write us for updates, a fact sheet list, or alternate formats.
Fact Sheets aren't a complete answer to a legal problem.
See a lawyer for advice.