



Consumer Fact Sheet

Office of Consumer Affairs & Business Regulation

Division of Banks • Division of Insurance • Division of Professional Licensure • Department of Telecommunications and Cable • Division of Standards • State Racing Commission

Taxpayers: Avoid Refund Anticipation Loans at All Costs!

Taxpayers should consider the following alternatives to a RAL:

1. File your tax return electronically (E-File) and request that your refund be directly deposited. It typically takes 10 business days for the IRS and 3-5 business days for the state to process and electronically deposit a refund. Massachusetts taxpayers can now e-file their state income tax returns directly with the DOR using the "WebFile for Income" program. WebFile for Income is free, convenient, secure, and you should receive your refund in less than 10 days. For more information, visit the DOR's web site at www.mass.gov/dor.
2. Open a checking or savings account. Open a bank account so that your refund can be electronically deposited and available for immediate use. There are low cost banking account alternatives and many banks will set up an account for free. If you are concerned about maintaining a large account balance, consider low cost bank account alternatives. A list of banks that participate in the Commonwealth's Basic Banking for Massachusetts program as well as a description of the program's low cost bank account is available online at <http://www.masscommunityandbanking.org/Guidelines.htm>. If you don't set up a direct deposit, when you do receive your refund check, avoid check-cashing stores. They charge fees to cash checks and you get to keep less of your money.
3. Visit a free tax preparation site. Low- to moderate-income tax payers can take part in the IRS Volunteer Income Tax Assistance (VITA) Program. Trained volunteers will prepare an individual's tax return for free. Plus, many VITA sites will file the return electronically to speed up the refund. For the VITA site near you call (800) TAX-1040.

The AARP Tax-Aide program provides free tax preparation and assistance services to millions of low- and middle-income taxpayers, with special attention to those ages 60 and older. Electronic filing and online counseling are also offered by the program. To locate the nearest AARP Tax-Aide site, call (888) 227-7669.



Don't Borrow Your Own Money

During income tax season, millions of Americans are looking forward to tax refund checks. Those with outstanding bills and other expenses may be tempted to take a short-term cash advance or refund anticipation loan (RAL).

RALS target working families. RALs are not instant refunds, rather, they are costly, short-term bank loans secured by the taxpayer's anticipated tax refund. If your refund is denied, less than expected, or paid to other creditors (e.g. past taxes, child support, school loans, etc.), you will still have to repay the loan; your credit rating may be hurt; and the bank may send your account to a debt collector.