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Make the Most of Tax Refunds: Say “NO” to Refund Anticipation Loans

Madison – With tax time approaching, paid tax preparers will soon begin their media blitz to get more Wisconsin tax filers to take out Refund Anticipation Loans. These high-cost, short-term loans – often called “instant refunds” – are offered by paid tax preparation firms around the state.

To receive their tax refund just a few days to a couple of weeks earlier than they otherwise would, over 130,000 Wisconsin taxpayers paid an average of \$250 in 2004, says a report by the Wisconsin Council on Children and Families (the latest year for which data is available).

“This year, Wisconsin taxpayers should just say no to refund loans. Instead, taxpayers should use the help of free tax preparation sites and keep that extra \$250 of their tax refunds,” said Charity Eleson, executive director of Wisconsin Council on Children and Families (WCCF).

Tax preparation businesses have successfully targeted neighborhoods where there are high numbers of working low-income residents that qualify for the Earned Income Tax Credit. Their success, at tax filers expense, is clearly seen as over 22 percent (63,767) of Earned Income Tax Credit (EITC) filers took out RALs that year, while only 5.1 percent of all tax filers did. The EITC is a tax credit that directly benefits low-income working families. The high costs of RALs dilute the effectiveness of the EITC every year.

“Wisconsinites paid \$32.5 million in RAL costs in 2004. The \$250 average cost is a lot for a low-income family, for some a week’s pay, and for most, several weeks of groceries,” added John Keckhaver, Research Analyst and author of the report, “there are greater economic impacts as well from the lost spending at local businesses, that totaled between \$48.8 and \$65 million that year.”

Better alternatives exist, as Volunteer Income Tax Assistance (VITA) sites offer free tax preparation help and most include the option of filing electronically, speeding up one’s refund even more. In addition, the Wisconsin Department of Revenue is working in coalition with groups like the Wisconsin Council on Children and Families, the Wisconsin Credit Union League and the Wisconsin Bankers Association to raise awareness, improve outreach, and create alternatives to loans for working families.

VITA sites can be located by calling the Department of Revenue at (608) 266-2772 or visiting <http://www.revenue.wi.gov/faqs/pcs/vita.html#vita6> IRS Info: 1-800-829-1040

“Working together, we can set goals and create opportunities for tax assistance in targeted communities to help low-income families keep dollars that are so important to their households. The commitment of businesses, employers and advocates is a good economic opportunity for Wisconsin and can be an economic boon for Wisconsin taxpayers,” said Eleson.

View the full report “*Maximizing Tax Refunds*” online at: http://wccf.org/pdf/maxtax_refunds_ralrpt200612.pdf
Wisconsin Council on Children and Families is a multi-issue, statewide, non-profit, non-partisan advocacy organization. Celebrating 125 years: Raising Voices to Make Every Kid Count