



Be wary of loans

November 27, 2007

As the holidays approach, we all want to make the season extra special. However, today's economy will leave many hardworking families vulnerable to high interest loans. Many people may consider taking an "advance" on their tax refunds to pay for the presents, vacations or new clothes desired before tax season starts. Unfortunately these innocent-sounding "advances" are really Refund Anticipation Loans and often come at a high price with expensive fees, high interest rates and possible future debt.

In recent years, tax preparation companies have begun promoting pay-stub or holiday RALs in November and December, which can cost borrowers as much as one-third of their total refund in interest and fees and, worse yet, can force the borrower into even greater debt by overestimating a family's refund. Taxpayers can get their Illinois tax refunds directly deposited in about a week if they file their tax returns electronically. Federal refunds take a few days longer, but they can be processed in about two weeks.

Thanks to legislation Gov. Rod Blagojevich signed this year, 100,000 more Illinoisans will be eligible for the Illinois Earned Income Tax Credit. Lower-income workers who are eligible for the EITC are the most frequent targets for RALs. Nationwide, low-income workers made up more than 60 percent of all RAL borrowers. In Illinois, more than 38 percent of all EITC recipients used refund anticipation loans.

It's your refund. Get it fast. Get it all. We urge you to wait a few more weeks and then in January chose Illinois E-Filing at www.tax.illinois.gov, and file your federal taxes online at www.irs.gov.

*Brian Hamer
Director
Illinois Department of Revenue*

*Dean Martinez
Secretary
Illinois Department of Financial and Professional Regulation*

Springfield