

CONSUMER AFFAIRS RELEASES PRELIMINARY RESULTS OF TAX PREPARER ENFORCEMENT AND MONITORING FOR 2004 SEASON

In Final Week of Tax Season, DCA Urges New Yorkers to Stay Vigilant About High-Interest Loans When Filing Tax Returns

The New York City Department of Consumer Affairs (DCA) today released an update on the agency's ongoing enforcement and monitoring of tax preparers citywide. With just ten days to go in this year's tax season, the DCA is urging New Yorkers to beware of high-interest loans, known as Refund Anticipation Loans (RALs) and to make sure they are given a copy of the *Taxpayer Bill of Rights*.

"DCA is proud of the success of its coordinated strategy to help consumers during the dreaded tax season," said Gretchen Dykstra, Commissioner of the New York City Department of Consumer Affairs. "With effective enforcement, legal action, and outreach, compliance with a variety of laws appears far better than last year, but consumers must still be vigilant about refund anticipation loans, and make sure they receive a copy of the *Taxpayer Bill of Rights*."

PRELIMINARY RESULTS - COMPLIANCE UP; CONCERNS CONTINUE:

- For inspections during the month of March and April 2004, **13 out of 65 (20%) independent tax preparers received violations for not handing out the *Taxpayer Bill of Rights***, which is required by law. This reflects increased compliance and business education, as last year's compliance rate was 50%.
- Since DCA's record \$4.2 million settlement with H&R Block in 2002, preliminary reports show improvements in Block's compliance with promoting its RAL products at locations citywide. **Compliance for clearly disclosing the difference between refund products and RALs has increased** from approximately 14% compliance prior to DCA action, to nearly 60% compliance reported in preliminary inspections for this tax season.
- In addition, **H&R Block has a 100% compliance rate for advertising requirements and for handing out the *Taxpayer Bill of Rights***. Through work with an independent monitor, DCA is working with Block to correct non-compliance issues.
- DCA cited **one out of 10 Jackson Hewitt locations for not handing out the *Taxpayer Bill of Rights***.
- Based on an investigation during the 2002 and 2003 tax seasons, Jackson Hewitt signed an agreement with DCA in February 2004 for \$125,000 to settle charges for not clearly disclosing between its refund products and its loan products. In addition, to date, DCA has reached separate agreements with nine individual Jackson Hewitt franchisees totaling \$18,000, with an additional 20 pending.

Refund Anticipation Loans (RALs) are loan products offered by most tax preparation services in which the consumer's anticipated refund is used as collateral for the loan. The loan products finance the anticipated refund - as well as other fees - at exorbitantly high interest rates. In actuality, a tax refund can be obtained with the Internal Revenue Service (IRS) within 14 days or less if filed electronically and deposited directly in a consumer's checking account.

By law, any advertisement for a RAL must conspicuously identify it as a loan, and disclose that a fee or interest will be charged by the lender. In addition, a tax preparer must disclose the following to consumers and provide consumers with a written notice in English and Spanish stating:

- **That a taxpayer is not required to take out a RAL;**
- **The fees to be paid for taking out such a loan;**
- **The estimated annual percentage rate to be paid for the loan based on the amount of time the loan will be outstanding;**
- **The approximate loan amount the taxpayer will receive;**
- **The approximate date by which the taxpayer can expect to receive the loan amount.**

DCA advises anyone using a tax preparation service to make sure they receive a copy of the *Taxpayer Bill of Rights*, which includes the qualifications of the tax preparer, how fees are calculated and charged, and the difference between an instant tax refund and high interest loans. Tax preparers should also be asking if consumers qualify for the Earned Income Tax Credit, a federal and state tax credit that returns cash back to working families making less than \$35,000 a year.

By law, all independent tax preparers (with the exception of CPA's, enrolled agents, and attorneys) are required to give each customer a free, current, and legible copy of the *Taxpayer Bill of Rights*.

Consumers should follow these guidelines for hiring a tax preparer and filing taxes:

- **Be wary of high-interest loan products that promise quick money.**
- **Do a background check.**
Find out the tax preparer's qualifications, education and experience. Ask for recommendations.
- **Know your tax preparer's whereabouts.**
Keep a record of your preparer's year-round address and telephone number.
- **Never sign an incomplete tax return.**
- **Don't pay cash.**

Use a check or money order to pay the preparer or when sending a payment for taxes.

- **Have your refund mailed to you, NOT the tax preparer.**
- **Review your complete return for mistakes and keep all financial records pertaining to your tax return.**

It is **illegal** for a tax preparer to:

- **Misrepresent his or her qualifications.**
- **Guarantee a tax refund or that a taxpayer will not be audited by any government tax agency.**
- **Charge a fee based upon the amount of tax owed or refund due.**
- **Claim to give taxpayers an “instant tax refund” that is actually an interest-bearing loan.**

To file a complaint, for copies of the *Taxpayer Bill of Rights* and DCA’s Tax Preparation Services consumer guide, and information on the Earned Income Tax Credit (EITC), go online at www.nyc.gov/consumers or call 311.

DCA enforces the consumer protection laws, as well as other related City and State laws, at thousands of businesses throughout New York City. DCA licenses more than 60,000 businesses in 55 different categories in New York City and educates both consumers and businesses alike through free community seminars, licensing forums, and other informational materials.