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SCHAKOWSKY INTRODUCES TAXPAYER ABUSE PREVENTION ACT (TAPA) TO PROTECT LOW-INCOME WORKERS

BILLIONS IN TAXPAYER DOLLARS MEANT FOR EITC RECIPIENTS DIVERTED TO BIG CORPORATIONS THROUGH HIGH INTEREST LOANS AND FEES

WASHINGTON, D.C. - With tax preparers spending millions of dollars to entice consumers into using their services, U.S. Representative Jan Schakowsky (D-IL) today introduced the Taxpayer Abuse Prevention Act or TAPA.□□□

Schakowsky's bill would protect low and middle income working families who qualify for the Earned Income Tax Credit (EITC), an effective and proven anti-poverty program, from Refund Anticipation Loans (RALs), an expensive product offered by tax preparers such as H&R Block, Liberty and others.□ RALs are high cost short-term loans secured by taxpayers' expected refunds and can cost EITC recipients up to 10% of their refund.□ The Taxpayer Abuse Prevention Act would prohibit tax preparers from using the EITC to secure RALs.□

"Corporations are reaping in hundreds of millions of dollars from high interest loans and service charges, money that should be going to hard working families who depend on the Earned Income Tax Credit.□ The Taxpayer Abuse Prevention Act is a necessary solution to a growing problem that Congress cannot afford to ignore.□ We must act quickly before millions of more dollars intended for EITC recipients are drained from the U.S. Treasury right into the coffers of big business," Schakowsky said.

RALs can carry an effective annualized interest rates of about 94% to over 1837%.□□ And even though EITC recipients make up only 17% of taxpayers, over half of those who receive RALs are EITC beneficiaries or about seven million.□ More than \$20 million was lost by working families just in Chicago, who paid the costs of RALs in 2002.□ For a RAL, a consumer typically pays:

- . Loan fee to the lender, ranging from \$30 to \$115 in 2005.**
- . Commercial tax preparation fee of around \$120.**
- . Administrative, application or document preparation fee of about \$30.**

The bill has been introduced in the Senate by Senator Daniel Akaka (D-HI) and is

supported by national organizations including Association of Community Organizations for Reform Now (ACORN); Children's Defense Fund; Consumer Federation of America; Consumers Union; National Consumer Law Center; and Center for Responsible Lending.

Schakowsky encouraged EITC recipients and others who need assistance in preparing their taxes to use one of the many free tax filing centers located in her district and across the City of Chicago. The National Student Partnerships campaign and organizations such as ACORN train and staff these free tax preparations centers to help working families obtain their federal tax refund. The EITC refund is usually available to the taxpayer from the Internal Revenue Service within ten days.

"Free tax assistance and preparation is here today for EITC recipients; unfortunately, very few know that this service exists. Advocates and volunteers are actively engaged in a campaign to expand the number of families who use this valuable and money-saving service and I look forward to working with them to reach that worthy goal," Schakowsky said.

Through the Internal Revenue Service (IRS) Volunteer Income Tax Assistance Program (VITA), many organizations are offering free tax filing for low and moderate income workers who earn less than \$36,000. To get more information about the free tax preparation site nearest you:

- . Call the National Student Partnerships at (847) 864-3530 x208 or (773) 303-0700
- . Call ACORN at (312) 939-7488 or visit their offices at 650 S. Clark St. 2nd Floor, Suite 200
- . Call the Center for Progress at 1/888-827-8511 or go to www.centerforprogress.org
- . Call AARP at 1-888-227-7669 or go to <http://www.aarp.org/money/taxaide/> <http://www.aarp.org/money/taxaide/> (if you're over 60 years old)
- . Call the IRS at 1/800-829-1040