

Fast Tax Refunds Can Carry High Price

March 30, 2004

BY TAMMY CHASE

Chicago Sun-Times

Popular with low-income filers

Where critics such as the Consumer Federation and the community activist group ACORN find fault is with what they see as the targeting of poor people for the high-interest loans. More than half of those who took refund loans in 2002 were taxpayers with incomes low enough to qualify for the federal government's Earned Income Tax Credit, according to Consumer Federation data, though recipients of the tax credit for low-income households account for just 15 percent of all taxpayers.

"You think wealthy people do this?" David Roberts, an associate professor of accountancy at DePaul University, said of the refund loans. "A refund [means], in effect, you've overpaid in the year. People let the government hold their money at no interest. Now, they want to pay a high interest rate to get their own money?"

"It's pretty clear they are targeting certain areas," said Madeline Talbott, director of ACORN's Chicago office. "I don't think we'd be complaining if they charged a reasonable rate of interest . . . [say] 10 percent."

Still, some consumers say that, even at a high price, they need the tax-refund loans. Torrence Turner, who is 38, unemployed and the father of three, said he paid \$275.95 this year to get his

\$2,385 refund -- with \$99.95 of that going to pay for the refund anticipation loan.

"I like getting my money back quicker," the Chicago man said, "though it would be better if I could get it cheaper. But I had bills to catch up on."