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MADIGAN SUES NATIONAL TAX PREPARER MO' MONEY

Lawsuit Highlights Need to Crack Down on High Costs, Fees of Refund Anticipation Loans

Chicago — Attorney General Lisa Madigan today sued the national tax preparer Mo' Money for charging taxpayers at least \$800,000 in hidden costs and fees for services and filing inaccurate tax returns without consumers' authorization.

The Attorney General's suit, filed in Cook County Circuit Court, seeks to shut down Mo' Money locations in the Chicago area and East St. Louis and refund consumers at least \$800,000 in estimated losses.

"Without customers' permission, this company filed annual tax returns riddled with errors and charged taxpayers exorbitant, undisclosed fees, but worst of all, it failed to provide consumers with their refund checks," Madigan said. "While the promise of fast cash may be tempting, these heavily marketed refund services always end up costing taxpayers much more in the end."

Madigan said the Memphis, Tenn.-based Mo' Money advertised its tax refund anticipation programs primarily to low-income taxpayers as a way to receive and spend refunds instantly. But Mo' Money used these programs to automatically deduct hundreds of dollars in undisclosed fees before consumers ever received their refunds – as much as \$700 per person.

The Attorney General also alleges Mo' Money filed tax returns without consumers' authorization, which in some cases were fraught with errors. For other consumers, Mo' Money charged fees to file Illinois state tax returns but never completed the filings on taxpayers' behalf. Consumers have waited weeks – and many continue to wait – to receive refund checks due to these alleged deceptive practices.

Madigan's office has received 76 complaints against Mo' Money this year. Consumers have also contacted the Better Business Bureau, City of Chicago and the Chicago Police Department.

Madigan urged consumers who had tax returns processed by Mo' Money to contact the Internal Revenue Service at (800) 829-1040, (800) 829-4059 TTD or visit www.irs.gov. Taxpayers who receive a refund from Mo' Money should not cash or deposit the check and contact the IRS immediately. Taxpayers who have already cashed or deposited a refund check from Mo' Money should be very cautious. These consumers may be subject to an IRS audit and required to return their refund. Consumers should call the IRS immediately.

Taxpayers audited by the IRS may be eligible for free legal representation from one of the following organizations:

- Center for Economic Progress: (312) 252-0280
- Loyola University School of Law, Federal Tax Clinic: (312) 915-7176
- Prairie State Legal Services: (630) 690-2130 or toll-free (800) 690-2130
- Administer Justice: (847) 844-1100 or toll-free (877) 778-6006

Consumers with questions about state income tax returns prepared by Mo' Money can contact the Illinois Department of Revenue at (800) 732-8866 or (800) 544-5304 TTD.

Beware the Costs, Risks of Refund Anticipation Products

As a general warning, Madigan said that during tax season consumers should be aware of the high cost of refund anticipation products – called refund anticipation checks and refund anticipation loans. This caution is particularly important for Illinoisans

eligible for the Earned Income Tax Credit, a federal and state anti-poverty program for working families, to ensure they maximize their returns.

Refund anticipation loans have interest rates running as high as 150 percent that can reduce a taxpayer's refund by as much as 20 percent before they receive it. A related product, refund anticipation checks, are offered to taxpayers who do not qualify for a loan and simply allow the taxpayer to cash a refund – using a check or a pre-loaded debit card – after the IRS deposits it in a temporary bank account. These products are similarly riddled with high costs.

This year, Madigan is working with lawmakers to pass Senate Bill 3523 to crack down on the high costs and fees associated with refund anticipation products. The bill also seeks to strengthen disclosure of fees and other costs to consumers, and it provides for additional protections for consumers who obtain refund anticipation loans from non-bank lenders, such as a payday lender.

"Every year during tax season some tax preparers and lenders take advantage of low-income individuals by charging them exorbitant fees, on top of high interest rates, to get their refunds early," said Sen. Jacqueline Collins, Senate bill sponsor. "This legislation will cap interest rates, prohibit fees charged in addition to interest and give borrowers a chance to use their tax refunds as intended – to pay for needs like food, housing, clothing and medicine. Last year we passed an increase in the state Earned Income Tax Credit and put money back in the pockets of the working poor. I want those eligible for the EITC to be able to keep and spend the full amount of their refunds in our communities, not have to give it to exploitative payday lenders or tax preparers."

"This legislation will impose first-time ever limits on the exorbitant fees that tax preparers are able to charge individuals for these anticipation loans and checks," said Rep. Michael Zalewski, House bill sponsor. "In effect, this measure will help ensure that working families are able to keep a larger portion of their tax refunds so that they stand a better chance of making ends meet in this tough economy."

Assistant Attorneys General Jonathan Reischl and Vijay Raghavan are handling this case for Madigan's Consumer Fraud Bureau.

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