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ATTORNEY GENERAL MADIGAN: SENATE UNANIMOUSLY PASSES BILL CRACKING DOWN ON TAX REFUND LOANS

Springfield — Attorney General Lisa Madigan today commended Senate lawmakers for unanimously passing a bill to better protect consumers from the exceedingly high costs of tax refund anticipation loans and refund anticipation checks.

These products are billed as a faster way to receive a refund around tax time, but they're anything but that. They're simply a way to siphon excessive fees from what taxpayers are actually owed per their annual tax filings.

"The only thing taxpayers should anticipate with these so-called 'refund' products are costly fees and smaller tax returns," Madigan said. "This legislation will limit a refund anticipation loan's excessive costs and better protect consumers in communities where these products are heavily marketed."

Senate Bill 3523 would crack down on the costs and fees of tax refund anticipation products – called refund anticipation loans and refund anticipation checks. It would also strengthen disclosure of fees and other costs and provide for additional protections for consumers who obtain refund anticipation loans from non-bank lenders, including payday lenders.

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. Refund anticipation checks often 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.

"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."

Madigan urged consumers to be aware of the high cost of refund anticipation products this tax season, particularly Illinoisans eligible for the Earned Income Tax Credit, a federal and state anti-poverty program for working families, to ensure they maximize their returns.

Rep. Michael Zalewski will sponsor the measure in the House.

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