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**MADIGAN WARNS ABOUT HIGH COST OF TAX REFUND OFFERS DURING TAX SEASON**

**Chicago** — Attorney General Lisa Madigan today alerted Illinoisans to beware of the high cost of tax-refund anticipation products as the deadline for filing annual tax returns nears.

Madigan said her office is monitoring businesses that offer tax-refund anticipation loans and checks this tax season in light of a new law in Illinois initiated by her office that cracks down on the excessively high fees associated with these options. The new law, which became effective in January, prohibits tax preparers from adding unnecessary costs – or “junk fees” – for refund products.

“With tax season in full swing, tax preparers are once again flooding the airwaves with ads promising you a faster refund if you buy one of their loan offerings,” Madigan said. “But don’t be fooled. The only ones getting fast cash are the lenders that advertise these refund products thanks to the exorbitant fees they charge taxpayers.”

Tax preparers often advertise refund anticipation loans as an option for consumers to receive an instant cash refund based on their anticipated tax return supposedly eliminating the wait for their official government refund to arrive. But in reality, Madigan said, these products are short-term loans riddled with fees automatically deducted from a taxpayer’s refund before they receive it.

Although most banks have stopped offering refund anticipation loans due to regulations at the federal level, Madigan said many non-bank lenders, including payday lenders, have begun to offer these loans to consumers. The law Madigan’s office crafted addresses this industry trend by limiting interest rates on loans from non-bank lenders to ensure consumers aren’t charged for junk fees.

The Attorney General also alerted consumers about the dangers of “refund anticipation checks” or debit cards linked to a temporary bank account. Consumers do not receive their refunds any faster with refund anticipation checks, Madigan said, but must wait for the IRS to deposit their refund into the temporary account. The new law also applies to these products, which are similarly linked to costly hidden fees.

Madigan worked to pass the legislation banning high-cost fees last year around the same time she filed a lawsuit against a national tax preparer for charging taxpayers at least \$800,000 in hidden costs for services. In March 2012, Madigan filed a lawsuit in Cook County Circuit Court seeking to shut down Mo’ Money locations in the Chicago area and East St. Louis and to refund consumers. The Memphis, Tenn.-based company advertised its tax refund anticipation programs 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. Madigan’s Consumer Fraud Bureau is continuing to pursue the litigation in court.

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