



OFFICE OF THE GOVERNOR

# NEWS

ROD R. BLAGOJEVICH – GOVERNOR

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## **Gov. Blagojevich alerts Illinoisans about the risks of tax refund anticipation loans**

*To launch 2008 Filing Season, Joint IDFPR-IDOR public awareness campaign urges use of E-Filing to obtain state refunds in days*

CHICAGO – Governor Rod R. Blagojevich today launched a consumer awareness campaign to alert Illinoisans about the risks of taking out high-cost refund anticipation loans (RALs) with the message “It’s your refund – get it all – get it fast.” As the 2008 tax season commences, a state public education campaign warns taxpayers not be enticed by loan offers that come with excessively high interest rates and urge taxpayers to file their taxes electronically to get their refunds fast. The Illinois Department of Revenue (IDOR) and the Department of Finance and Professional Regulation (IDFPR) also launched a website at [myrefund.illinois.gov](http://myrefund.illinois.gov) where taxpayers can find more information about RALs and electronic filing.

“Every tax season we see more ads to get your refund fast. But these Refund Anticipation Loans come at a high interest rate and take advantage of those who need their whole refund the most,” said Governor Blagojevich. “This tax season E-file your tax return and direct deposit your refund to get your whole Illinois tax refund in a week.”

RALs usually run 7-14 days, and fees for these loans can translate into triple digit Annual Percentage Rates (APR). The public education campaign being launched this month will alert taxpayers to the high costs of these loans and will remind consumers that they can get their Illinois tax refund directly deposited within one week if they file their tax returns electronically. Federal refunds take a few days longer, but they can be processed in about two weeks.

Thanks to legislation Governor Blagojevich signed this August, 100,000 more Illinoisans will be eligible for the Illinois Earned Income Tax Credit (EITC). Lower-income workers who are eligible for the EITC are the most frequent targets for RALs. Nationwide, low-income workers made up more than 60 percent of all RAL borrowers. In Illinois, more than 38 percent of all EITC recipients used refund anticipation loans.

“Families work hard to earn their money, and we join Governor Blagojevich in wanting to make sure that they realize RALs are not their only option to receive their refund. If taxpayers can wait an extra week, they will not have to take out this high interest loan and will not be subject to other additional fees,” said Dean Martinez, Secretary, IDFP. “This public awareness campaign is designed to make sure consumers have all the facts before making the decision to borrow against the benefits they’ve earned.”

According to a 2007 study issued by the Consumer Federation of America and the National Consumer Law Center, a consumer could pay from \$57 to \$111 in order to get a RAL for a typical refund of about \$2,500. The effective annual interest rate for this loan would be 85 to 170 percent. The average Illinois refund is \$270 while the average federal refund is over \$2,000.

“Every year more Illinoisans choose to file electronically for the speed, security, and ease,” said IDOR Director Brian Hamer. “This year, we encourage taxpayers to wait until they have their W-2s and other necessary paperwork and then file electronically either at home or with a tax professional. You will have your Illinois tax refund in about a week.”

“Building assets like bank accounts is one of the keys to reaching and remaining in the middle class. Assets are what make families stable and help them attain long term goals central to the American Dream -- a house, a college education, a business of their own. The lump sum Earned Income Tax Credit is one of the few opportunities that working families have to build a bank account. Refund anticipation loans stand this opportunity on its head, substituting expensive debt in place of asset-building,” said John Bouman, President, Sargent Shriver National Center on Poverty Law.

“Refund Anticipation Loans are debt traps for families, who are struggling to make ends meet,” said David Marzahl, Executive Director of the Center for Economic Progress. “These loans have high fees and interest rates and they milk hard-working families of money they can't spare. By taking out RALs, families lose the opportunity to get the maximum benefit of tax time. But Illinois families should know there are alternatives. The Center for Economic Progress offers free tax preparation services in Chicago and throughout Illinois. With our help, low-income families can receive their refunds in five days through electronic filing, and keep more of their hard-earned money to help pay for daily necessities.”

Nearly all Illinois taxpayers can file for free on the department’s web site at [www.tax.illinois.gov](http://www.tax.illinois.gov), and many can also file their federal taxes online at [www.irs.gov](http://www.irs.gov).