



North Carolina Department of State Treasurer

RICHARD H. MOORE
STATE TREASURER

325 NORTH SALISBURY STREET
RALEIGH, NORTH CAROLINA 27603-1385

January 11, 2007

For Immediate Release
Contact: Sara Lang 919-807-3132

TREASURER MOORE WARNS NORTH CAROLINIANS ABOUT THE DANGERS OF TAX LOANS

RALEIGH – With tax season heating up, State Treasurer Richard Moore today reminded North Carolinians to beware of the loans that tax preparers offer in advance of their tax refunds. Advertising and marketing for both refund anticipation loans, or RALs, and the new pay stub RALs have been airing across North Carolina. RALs are high-cost bank loans secured by the taxpayer's anticipated tax refund, which are then repaid in 7-14 days when the IRS refund arrives. Pay stub RALs are issued in January before taxpayers' receive their W-2s and estimated based on pay stubs.

“Refund anticipation loans are bad business and a bad deal for North Carolinians,” Moore said. “These loans carry too high a cost for our taxpayers, especially those who can least afford it. They are a drain on our citizens’ pocketbooks and on the very program designed to help working families, the EITC. North Carolinians should not be fooled by the slick marketing campaigns and false promises made during tax season. Be educated; read the fine print; and keep all of your hard-earned tax refund. I encourage our citizens to utilize VITA sites and other free tax sites.”

According to the National Consumer Law Center and the Consumer Federation of America, approximately 12.38 million American taxpayers spent \$1.6 billion on RALs in 2004, the latest year for which data is available. In 2006, these organizations estimated that the average RAL would have an effective APR of 178 percent. Pay stub RALs can also carry triple-digit APRs, and some companies charge an additional “deposit” for tax preparation services when the loan is made.

Many of those who utilize these loans are working poor families who qualify for the federal Earned Income Tax Credit (EITC). According to IRS data, over 56 percent of RAL borrowers are also recipients of the EITC. One out of every three EITC recipients gets a RAL, and these loans drained more than \$900 million from the EITC program in 2004.

In August Treasurer Moore led a national effort to reform the RALs marketed by H&R Block, the largest provider of the loans. Leading a coalition of investors representing more than 1.6 million shares of the company, Moore called on H&R Block to reform their RAL products. H&R Block has since announced changes to their products and improved interest rates.

The VITA Program offers free tax help to low- to moderate-income people. Certified volunteers receive training to help prepare basic tax returns in communities across the country. To locate a VITA site, call 1-800-829-1040. Trained and certified AARP Tax-Aide volunteer counselors also provide help people of low-to-middle income with special attention to those 60 and older. To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit <http://www.aarp.org/money/taxaide/>. The Armed

Fax: (919) 508-5167

Phone: (919) 508-5176

website: www.treasurer.state.nc.us

The Department of State Treasurer includes Local Government Commission Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Public Employees' Social Security Agency, Legislative Retirement Fund, Escheats Fund, and Tax Review Board.
An Affirmative Action/Equal Opportunity Employer



North Carolina Department of State Treasurer

RICHARD H. MOORE
STATE TREASURER

325 NORTH SALISBURY STREET
RALEIGH, NORTH CAROLINA 27603-1385

Forces Tax Council (AFTC) oversees the operation of the military tax programs worldwide, and serves as the main conduit for outreach by the IRS to military personnel and their families.

#####

Fax: (919) 508-5167

Phone: (919) 508-5176

website: www.treasurer.state.nc.us

The Department of State Treasurer includes Local Government Commission Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Public Employees' Social Security Agency, Legislative Retirement Fund, Escheats Fund, and Tax Review Board.
An Affirmative Action/Equal Opportunity Employer