THE LAW OFFICES OF
DARRIN T. MISH, PA
TAX ATTORNEYS FOR YOUR MOST SERIOUS IRS PROBLEMS
IRS PROBLEM SOLVER BLOG
Experienced, Nationally Recognized Tax Attorneys for your Most Serious IRS Problems

October 2, 2010

H&R Share Prices Expected to Drop due to IRS Action

H&R Share Prices Expected to Drop Due to IRS Action

In the next tax year, the IRS has declared they will no longer supply tax preparers the 'debt indicator' of a taxpayer. The debt indicator is a code the IRS has provided every year to tax preparers that indicate the amount of tax refunds the taxpayer is entitled to receive. The debt indicator information supplied by the IRS would include any amounts of child support, back taxes and other debts that would reduce the amount of refunds.

With this information, tax preparers like H&R can determine if taxpayers qualify for loans and if so, calculate the amounts for the taxpayers who apply for them. The loans disbursed, called the Refund Anticipation Loans or Rapid Refunds would naturally commensurate with the amount of refunds the taxpayer would receive. These loans are high interest and short term loans that are generally sought by the lower income group to get their refunds back faster.

But in August, the IRS announced that the increasing use of electronic refunds would make it possible for the taxpayers to receive their money within 10 days thereby making the refund loans unnecessary. Last year, H&R issued 23.2 million refund loans.

At H&R's annual meeting in Kansas City recently, its chief executive Alan Bennett told shareholders that he expects the share prices of the company to drop by 5 cents per share next year when the IRS move is implemented.

At the same time, Bennett believes withholding the information would only serve to make the loans more expensive as fewer taxpayers would qualify for them and the loans become more difficult to underwrite while not abating the demand. According to him, the taxpayers taking the loans will only learn of the IRS decision and discover they no longer qualify after they have prepared their tax returns.

H&R is trying to convince the IRS to release the information to the taxpayers themselves. This way, tax preparers can still utilize the information to provide more loans.

Another contributing factor to the anticipated 5 cent drop would be the fewer tax returns that are filed due to job losses that stem from the recession. The IRS reported a 1.7 % overall decline in the number of tax returns it received this year. H&R lost about 2 million clients over the last 2 years, with nearly two thirds coming from the lower income group who had their taxes prepared in January and February and who applied for refund anticipated loans.