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## Best to Avoid Tax Refund Anticipated Loans

Many taxpayers who want to get their tax refunds early resort to taking up Refund Anticipated Loans or RALs from tax preparers. These refunds come in the form of checks or gift debit cards. Similar to payday loans, RALs are short-term loans with high interest rates. And if the tax preparer computes your refund amount erroneously, you could end up paying more in the form of fines. For instance if your refund amount comes up to less than the loan you take, you would have to pay the difference plus fees and fines.

In addition, there will be an administrative fee as well. The usual interest rates charged are between 50 to sometimes 500%. This makes RALs hardly worth the while unless you are in very dire need of urgent funds. After all, the RALs normally arrive only a short while before the IRS refund itself in most cases. These days, you can receive your refund in as few as 10 days if you file your return electronically and if you opt for direct deposit of your refund into your bank account.

This year, the IRS has introduced another means for you to receive your refunds. Instead of getting it in a check, you can receive your refund in the form of a prepaid debit card. Using this debit card, you can obtain cash

from Automatic Teller Machines or use it to purchase goods and services from retailers. According to the IRS, these cards would arrive faster than checks and will enable you to avoid paying check cashing fees.

All these make applying for RALs somewhat redundant. But if you still feel you need to apply for an RAL from a tax preparer, you should take the following steps.

1. Check the tax preparer's credentials. Ideally you would want the preparer to be a certified public accountant (CPA), a tax lawyer or an enrolled agent. These preparers belong to a professional organization that requires members to adhere to a code of ethics. For good advice on this matter call us at (813) 229 7100.
2. Do not engage a tax preparer based on some by far-fetched promises that they will reduce your tax obligations or increase your tax refunds etc. The fact is until the preparer studies your tax situation, there is no way to know whether you'll get a refund or how big it will be.
3. Ask for referrals from friends and check the preparer out with the Better Business Bureau at [www.bbb.org](http://www.bbb.org) or by calling (520) 888 5353.
4. Make sure your tax preparer can be contacted all the time. You may need to contact your preparer after tax season is over.
5. Always read the contract. Be clear about the cost of the service and whether your tax preparer will represent you in case of an audit?
6. Similarly, check your tax return before you sign it. Ask the preparer to explain anything you don't understand.