



A Program with the
Colorado Attorney General
and the AARP Foundation



Colorado Attorney General
John W. Suthers



Better Business Bureaus®
Serving Colorado



Tax Refund Anticipation Loans Beware!

Refund-anticipation loans carry a high price

***Tax Refund Anticipation Loans (RALs)** are short-term cash advances, offered by tax preparation services, against a customer's anticipated income tax refund. You may get your refund a little bit earlier, but you will get a lot less money. These loans are offered at very high interest rates, ranging from about 40% to over 700% APR. RAL's are sold as a method to speed up the refund process, yet RAL's actually shorten the processing time by less than one week. Your best result for a full refund is to file online and have refunds deposited directly into your bank account.*

According to consumer groups:

- Be patient. If you file your taxes electronically and have your refund directly deposited into your bank account, you will get your refund in just two weeks.
- If you are considering a RAL, make sure the company offering the RAL clearly explains all the free options to get your refund. Look for a company that has upfront, clear, and simple disclosure of the loan costs.
- Beware of companies that call RAL's a "refund" or "instant money." It's not; it's a loan! Watch out for companies that charge extra for cashing your tax refund check.
- Be cautious of car dealerships and furniture companies that offer to do your taxes so that you can use that money as a down payment. Usually there are processing fees and it is actually a loan.
- Watch out for companies that charge extra for cashing your tax refund check.

Think about places that offer free tax-preparation so you are not pressured to take a RAL, such as AARP Tax-Aide. To find a location near you log on to www.aarp.org/money/taxaide/.

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