

## Watch Out for Your People Who Want a Piece of Your Refund

- There are companies trying to get their hands on your tax refund before you do, and state law-enforcement officials are cracking down on some of the practices.
- As the April tax-filing deadline approaches, businesses from tax-preparation firms to auto dealerships are offering consumers the opportunity to put their expected refund checks to work weeks before the IRS sends them out -- often by loaning them the expected amount for a high fee.
- Retailers are offering gift cards in exchange for tax refunds to people who file using TurboTax, the popular tax-preparation software.
- Car dealerships will prepare your taxes if your refund is applied toward a down payment on a car.
- State officials are clamping down on some of these programs, claiming they take advantage of low and moderate-income families, recent college graduates and others with high fees.
- H&R Block was recently sued by New York's attorney general for selling so-called Express IRAs that allegedly earned less money than what customers paid in fees. That action followed a lawsuit last month against Block by California's attorney general, who accused the firm of charging fees that equate to annualized interest rates that can exceed 500% on so-called refund-anticipation loans, the popular instant refunds, which are loans that clients repay when their refunds arrive.
- Oklahoma's attorney general recently warned consumers away from instant refunds, which are also offered by other big tax-preparation firms, including Jackson Hewitt Tax Service Inc. and Liberty Tax Service.
- Block said at the time that the California suit has "no legal or factual merit," and said it clearly discloses the terms of its loans to consumers. The company also has denied the charges in the New York lawsuit, saying its IRA program offers its customers "a powerful first step toward ensuring a secure financial future."
- [Intuit](#) Inc. began this year offering users of its popular TurboTax tax-preparation software the opportunity to apply some or all of their refunds to gift cards from about 50 retailers, including Starbucks, Sharper Image, Lowe's and Red Lobster. Retailers are offering greater value in the gift card than the amount of money customers put in -- loading the card with \$1,200 for a refund amount of \$1,000, for instance. However, customers pay a one-time fee of \$14.95 to TurboTax for shipping and handling. The offer is available to taxpayers who file their returns electronically.
- Some car dealerships offers taxpayers to chance to turn their federal tax refund into a down payment on a car, though cost may be high. These consumers show up at the dealership with a driver's license, Social Security card and a W-2 form. A salesman helps fill in two to four pages of paperwork seeking information such as number of dependents and whether the taxpayer wants the dealer to complete a state tax return for an additional fee. The dealer faxes the paperwork to a preparer, where the data are entered into a tax program and the return is looked over by a supervisor trained in tax preparation, before it is returned to the dealer and taxpayer. The process takes about 30 minutes. Costs are typically about \$200 for a 1040A.

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