



Extension News Column

*University of Alaska Fairbanks, Cooperative Extension Service, www.uaf.edu/ces/
fycit@uaf.edu, 907-474-5211, FAX 907-474-6885*

Contact: Debbie Carter, information officer, 907-474-5406, dscarter@alaska.edu

Author: Roxie Rodgers Dinstel, Tanana District Extension Faculty, HHFD

The last fireworks celebrating the New Year had hardly faded from the night sky when the tax preparation ads started. There is no doubt that taxes are big business. In the last few years, a new product, the refund anticipation loan has appeared on the scene. They make big bucks for the tax preparation company, but are they a good idea for consumers?

A refund anticipation loan (RAL) is a short-term consumer loan secured by the borrower's expected tax refund. Some tax preparers may advertise RALs as "instant refunds." This is both misleading and illegal.

You are not getting their tax refund. You are taking out a high-interest loan.

While you may be tempted to pay the lending fees to get your refund right away, a little patience can save you a lot of money.

Many taxpayers don't realize that if they file their income tax electronically and arrange to have their refund deposited directly into a checking account, they will likely have their refund in a week to 10 days anyway.

Borrowing your own money comes at a steep price. Interest rates for RALs are very high, and there are often other fees as well. Based on data on from the National Society of Accountants and the National Consumer Law Center, a \$500 RAL could cost \$125 once you add up interest, fees and other charges.

These high-priced loans are risky too. If the refund turns out to be less than the loan, the taxpayer will have to pay the difference.

Unfortunately, the people most likely to use these types of loans are those who can least afford them. For folks who really need that money for all kinds of things like paying bills or getting necessities that they haven't been able to afford, that's a lot of money.

There are better options. The idea is to get those taxes filed as soon as possible and get the money back into your account.

You can file your taxes online using the free filing options available at www.irs.gov. Opt for the refund to be delivered to your bank account and in a two week period, you'll have your refund.

Here in Fairbanks, we have two options for those of you who want a little help in filing. The Volunteer Income Tax Assistance (VITA) program helps low- and moderate-income taxpayers at no cost. The service will be provided at Noel Wien Library on a first come, first served basis on Tuesdays, 4-7 pm, and Saturdays, 12-3 pm, until April 18 (459-1020). Service will also be available at the Fairbanks Senior Center on Thursdays, 9 am – 3 pm, by appointment only (452-1735) through April 14. For those who prefer to prepare their own return, Tax-Aide volunteers are always willing to answer questions. In addition, there are volunteers with several years of experience who can prepare returns for prior years.

At the University of Alaska Fairbanks, accounting students will help you prepare your tax return. GAAP, Great Alaska Accounting People, prepare simple tax refunds each year. They will be assisting people on March 26, April 2, 9, and 16. The exact location on campus has not been set, but will be announced soon. Watch for advertisements on campus. For further information on this program, give me a call at 474-2426 and I'll get you in touch with the coordinator.

Hats off to both these groups who help people—for free—with one of the most stressful tasks we do during the year. They are well trained and easy to work with. Be sure to use their services.

Income taxes will come each year. For those who have overpaid taxes, the return may come as a welcome influx of money. Make sure that you will receive your refund quickly—and that you will get to keep all of it.