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## Good news on taxes

FEBRUARY is the month we usually report on the dismaying annual herd of companies that take advantage of taxpayers - often targeting low-income people - with a variety of "products" and "services" related to tax preparation.

One of our favorite enemies: the "refund-anticipation loan." Tax-preparation companies charge high fees and interest rates to lend people the amount of their tax refund so they don't have to wait. This dubious "service" has been highly profitable for tax-prep companies, which charge fees up to \$250 and effective interest rates of 70-700 percent or more. Low-income and minority customers, and those without bank accounts are targets for these loans.

This year, a funny thing happened on the way to April 15: Refund-anticipation loans (RALs) are becoming extinct.

According to a report in American Banker, profits from these anticipation loans have taken a nosedive, in part because consumers are less willing to pay extra for faster refunds. As consumer groups have publicized how expensive these loans are, consumers have wised up about the stiff fees and interest rates.

The American Banker reports that the chairman of H&R Block told an investor group, "RALs are doing a pretty good job of killing themselves."

Also helping kill off RALs: The IRS has invited some of the banks making these loans in for a little chat. This has to be as chilling for banks as it is when the IRS invites a taxpayer in for a little chat.

And according to the Pennsylvania Banking Department, the IRS is further helping kill off the RAL by trying to streamline its refund operations so checks go out faster.

Of course, when one scam dies, another often takes its place. That's why the consumer's best bet is to seek out help from the Campaign for Working Families, which offers free tax preparation at 11 sites around the city. It also helps families take advantage of the Earned Income Tax Credit, which gives qualified families refundable tax credits up to \$5,567, with an


average credit of \$2,000. (Find out more at [www.phillyfreetaxes.org](http://www.phillyfreetaxes.org) or call 311 for a site near you.)

Free money is the smartest bet around.

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