

Regulating Refund Anticipation Loans—House Bill 4166

Primary Sponsor: State Representative Rashida Tlaib

Background

Refund Anticipation Loans (RALs) are offered to taxpayers as "instant refunds" or "quick cash." RALs allow consumer to immediately receive their tax refund as a loan that often contains high interest rates and processing fees. Taxpayers are made to believe that this is their actual tax refund rather than a loan that must be repaid, whether or not they receive their tax refund from the state or Internal Revenue Service. RALs are common among Earn Income Tax Credit (EITC) recipients who are desperate to get their refunds. **By regulating RALs to include strong disclosures, taxpayers in Michigan will be able to make an informed decision when applying for a RAL.**

Bill Summary

- Requires that the annual percentage rate of the loan be computed under the Federal Truth in Lending Act
- Requires written disclosure of the following prior to completing the loan application:
 - all interest, fees and hidden costs associated with RALs;
 - that this is a loan and not the taxpayer's actual personal income tax refund;
 - that taxpayer could file electronically without applying for a RAL;
 - that government does NOT guarantee that refund will equal the loan amount;
 - the average time to get a tax refund without applying for a loan
 - how long the refund would take if it was issued by the government; and
 - that the taxpayer is responsible for the difference if the tax form is not correct.
- Increases consumer protection by requiring the facilitator not to:
 - Require the applicant to enter into the loan agreement in order to prepare their tax return
 - Misrepresent a material fact in granting the RAL
 - Engage in fraudulent transactions related to the RAL
- Allows applicant to rescind the RAL on or before the close of the business on the following day the loan was made. The facilitator is prohibited from charging the applicant a fee for rescinding the RAL.

Support

- CEDAM
- H & R Block
- Michigan League of Human Services
- United Way of Michigan
- Passed out of the House with bipartisan support, 2008-09 session

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* Restrictions Apply
- Must E-File By April 2009
- Referral Must Be New Client - Must File Federal & S
- Coupon Must Be Present at Time of E-Fileing

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Free Groceries

* Restrictions Apply
- Must E-File By April 2009
- Referral Must Be New Client - Must File Federal & S
- Coupon Must Be Present at Time of E-Fileing

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* Restrictions Apply
- Must E-File By April 2009
- Referral Must Be New Client - Must File Federal & S
- Coupon Must Be Present at Time of E-Fileing

Coupon