



# Tax Preparation Pitfalls CONSUMER ADVISORY

*Tax season is in full swing. Taxpayers should take steps to protect themselves against a variety of hazards as they prepare and file their tax returns.*

## **Tax Preparation Fees: Avoid Hidden Fees and Overcharges**

The fees charged by tax preparation firms often are poorly disclosed. As a result fees and overcharges can be hidden, and consumers are unaware of exactly how much they have to pay for a professional to prepare their returns. **Make sure your tax preparer fully discloses all fees that will be charged BEFORE you obtain the services.**

**Low-income taxpayers can get their taxes prepared for free. Two such services:**

- Volunteer Income Tax Assistance (VITA) sites (1-800-906-9887 or [www.irs.gov](http://www.irs.gov)). Many VITA sites also help taxpayers open a bank account or get a low-cost prepaid card, which help them get faster refunds without paying a fee.
- AARP Tax-Aide sites ([www.aarp.org/findtaxhelp](http://www.aarp.org/findtaxhelp)).

## **Refund Anticipation Checks: High Cost, But You Don't Get Your Refund Faster**

Be careful if you get offered a “refund anticipation check.” Here’s how they work: You avoid having to immediately pay the tax preparation fee. A bank sets up a temporary account for you. Your refund is deposited directly into that account. The bank then cuts you a check for the refund – minus the preparation fee and special fee for the refund anticipation check service. The special fee can range from \$25 to \$60. The equivalent annual percentage rate (APR) can easily exceed 150 percent. And you don’t get your refund any faster.

## **Refund Anticipation Loans: Be Careful, Even with ‘No-Fee’ Loans**

Tax preparers and other non-bank lenders offer consumers “refund anticipation loans.” They cut you a check in the amount of your anticipated refund – minus fees and interest. The APR on the fees and interest can top 200 percent or 300 percent. And if your refund is less than anticipated, you can be responsible for paying the difference. Some refund anticipation loans are advertised as “no-fee” loans. But while consumers might not be directly charged for the loan, the fee could be hidden in the tax preparation fee.

**MAKE SURE YOU ARE FULLY INFORMED ABOUT TAX PREPARATION FEES, AND THE COSTS OF REFUND ANTICIPATION CHECKS OR LOANS, BEFORE YOU OBTAIN THE SERVICES.**

[www.dbo.ca.gov](http://www.dbo.ca.gov)

1-866-275-2677