

Testimony in Support of House Bill 3640
Representative Tina Kotek
House Revenue Committee
April 25, 2011

Thank you for the opportunity to speak in support of House Bill 3640.

Curbing the practice of refund anticipation loans (RALs) and refund anticipation checks (RACs) is a critical issue for my district. A number of tax preparation firms blatantly advertise these predatory products in my area. Every year, I know tax season is coming because tax prep businesses broadcast it with their banners advertising quick or "magic money." You can see evidence of this on the back of my testimony. As you will hear today, these products are not in the best interest of tax filers.

Hard-working families who follow the rules and file their taxes are being targeted by unscrupulous tax preparation companies. Much of my work, before and after being elected, has been focused on helping Oregon families struggling to get by. The federal and state government assists Oregonians through challenging times with a variety of programs, one of which is the federal Earned Income Tax Credit and the state Earned Income Credit. In 2008, more than 33,000 Oregon families who received the federal Earned Income Tax Credit were persuaded to take on a high-interest RAL. This is in direct conflict with our strategy for helping families. Tax-payer dollars to help struggling families through tax refunds should not be siphoned off for profit by national firms.

RALs and RACs are a deviously smart business model that hides costs from consumers through deferred payment. Stressed families who are having trouble keeping up with bills, rent and groceries may not be thinking of the \$32.95 check charge here or the increased tax preparation fees there, but we in the legislature should be. Tax refund supports are an investment in families. This legislation is an opportunity for us to protect those investments.

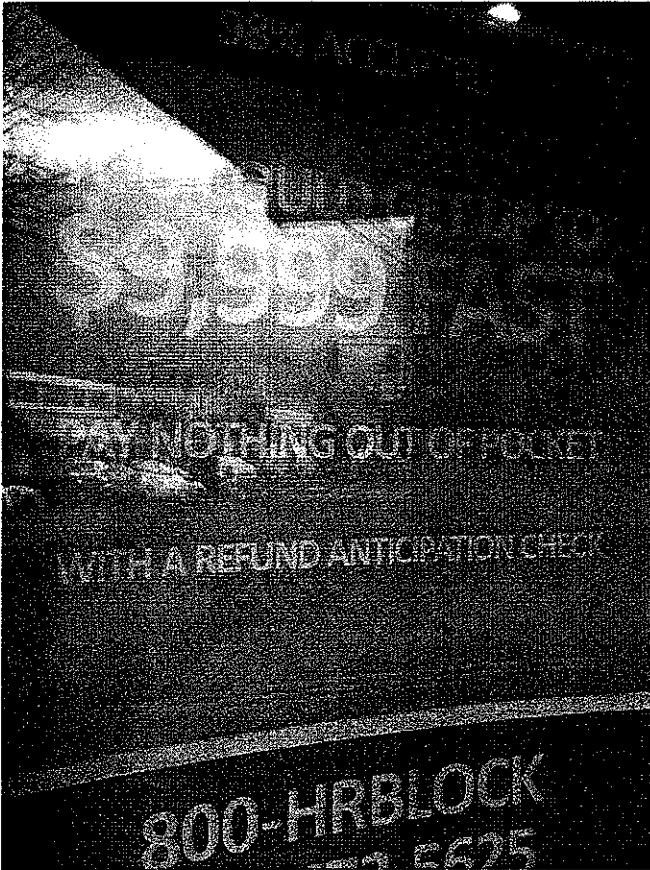
Thank you for your time and consideration of this bill.



HOUSE OF REPRESENTATIVES

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I took these photos in my neighborhood on 3/25/11 of advertisements for RALs and RACs. Both Jackson Hewitt and H&R Block are currently advertising in my District.



According to an OCPP report on the federal Earned Income Tax Credit (EITC) in 2007¹ the figures in my District are:

- 4,960 families received EITC;
- \$8.5 million in Federal funds;
- Oregon's EITC at 6% of that means \$456,765 in State Funds invested.

The County Data Book from Children First for Oregon has some basic information about poverty levels in Multnomah County for 2010²:

- 65,460 low-income children 17 and younger, out of 160,576 children in the County.
 - o The rate of children living in poverty is 10% worse than 2009.
 - o 3% worse than the rest of the state.

¹ http://ocpp.org/2011/20110125EITCDistrictFactSheet_with_tablefnl.pdf

² http://www.cffo.org/images/pdf_downloads/county_data_books/Multnomah%20County.pdf