

# Public Testimony by Oregon Board of Tax Practitioners

House Revenue Committee  
April 25, 2011

MEASURE: HB 3640  
EXHIBIT: 5  
HOUSE REVENUE COMMITTEE  
DATE: 4/25/2011 PAGES: 9  
SUBMITTED BY: RON WAGNER

This information comes from a file of a taxpayer that used a national chain to prepare her 2008 return. The tax practitioner also offered, and the taxpayer accepted, a Refund Anticipation Loan (RAL) on an ipower line of credit/prepaid VISA card.

1. Total charge to the taxpayer for the preparation of the federal and Oregon returns:

Federal tax return	\$384
Oregon tax return	\$53
Less: coupon	<u>(\$30)</u>
Total charge	\$407

Page 1 of the attached scanned document shows "Total Tax-Preparation Fees of \$372. This is inaccurate. The \$372 is actually after the \$35 pre-paid by the taxpayer and charged to her RAL credit card. The statement on page 6 shows withheld Fees of \$407. Page 8 provides detail of all charges, before the \$30 coupon discount.

2. Pages 3 and 4 of the scanned documents are the Refund Anticipation Loan Disclosures and Fee Schedule, Assisted Refund Disclosures, and the Assisted Refund/Bank Loan Truth-in-Lending (TILA) Disclosure and Loan Agreement.

These pages show the Estimated APR to be **35.89%**, which equals 1.07% of the loan amount. This is true only if you compute the APR using the finance charge of \$9.72

However, you will see on page 6 "Bank withheld fees of \$71.61. Using the \$71.61 as finance charges, the **APR is 261.55%**.

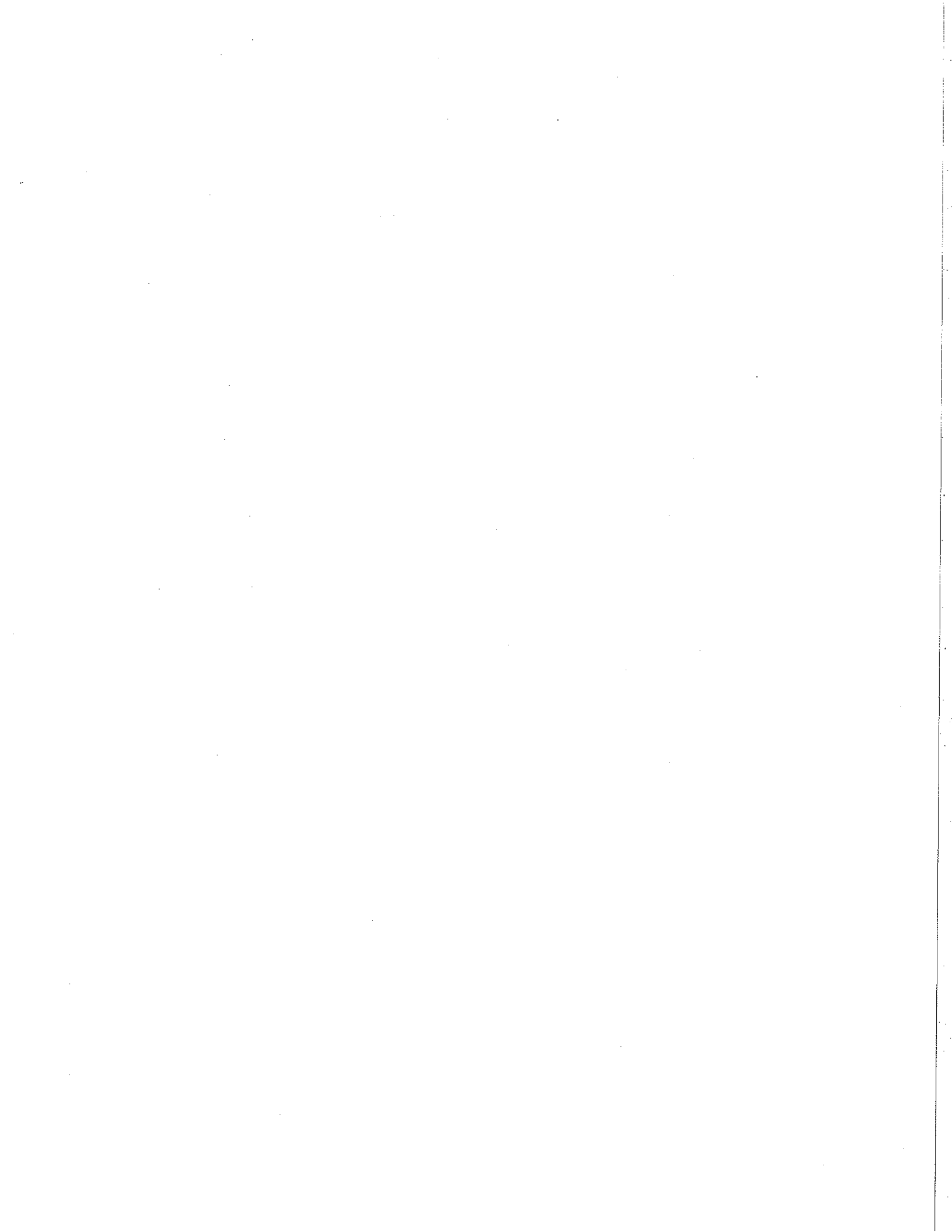
The \$71.61 comes from:

\$9.72	Finance charge, page 3
\$30.95	SBBT tax refund account handling fee, page 4. (Account set up fee?)
\$4.04	Initial usage Fee Finance Charge, page 7
<u>\$26.91</u>	Advance Fee Finance Charge, page 7

\$71.62 Total Bank withheld fees

If we leave off the \$30.95 SBBT tax refund account handling fee, the remaining fees are \$40.67, representing an **APR of 148.62%**.

The \$40.67 is also shown on page 3 and marked as Estimated Total Fees for Obtaining the RAL. This is somewhat inaccurate as it does not include all fees associated with obtaining a RAL, the additional \$30.95 charge for SBBT tax refund account handling fee.



# Receipt

No:

For Year-Round Service:

Date: 01/29/2009

Priority:  Prior  New

SN:  
SN:  
us:

Phone: Day:

Even:

Federal Tax Preparation .....	384.00	
State Tax Preparation OR .....	53.00	> * 437
City/Local Tax Preparation .....		
Prior Years Tax Preparation .....		
<u>Pre-Paid Tax Preparation</u> .....	-35.00	-35
Gold Guarantee .....		
Office Check Fee .....		
Transmit Only .....		
Coupon. LN4FL. \$30 off tax prep .....	(30.00)	-30
<b>Total Tax Preparation-Related Fees</b> .....	372.00	* 372
Discount Health Benefits .....		
<b>Total Fees</b> .....	372.00	
Sales Tax .....		
Bank Fees .....	40.67*	
<b>Total Fees</b> .....	412.67	

\* Bank fees include finance charges and tax refund account fee.

RAL  
  Money Now Loan  
  AR/BL  
  AR (EF)  
  AR (Paper)  
  EF  
  Paper  
 Total Number of W-2's: 1

Federal Disbursement Method: Card

Amount Paid:	Date Paid: _____	Method: <u>WITHHELD (initials)</u>
COD: <u>NO</u>		
Amount Due:	Date Paid: ____/____/____	Method: _____
Office #:	Employee #:	

As a \_\_\_\_\_ customer you received the following savings:

Total Discounts on Tax Preparation:	30.00
Basic Guarantee:	FREE
Electronic Filing:	FREE

For your information, here are several key deductions or credits claimed on your return which helped reduce your federal tax liability (or increase your federal refund) by the following amounts:

Child Tax Credit	1,734.00
Earned Income Credit	720.00
Additional Child Tax Credit	266.00
Other Credits or Deductions Not Listed Above	202.00

Your marginal tax rate (the highest federal tax rate that affects your tax calculation) is 15%.

**Federal and State Refund / Balance Due Information**

Federal Refund	1,624.00	OR	EF	State Balance Due	783.00
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Disbursement Option:

You requested your Refund be Direct Deposited into your bank account(s) by the taxing authority.

You requested your Refund be Direct Deposited into your Card account by the taxing authority. For security purposes, please verify that you have received an Card and that the last four (4) digits on that Card EXACTLY match the following numbers \_\_\_\_\_ and initial here \_\_\_\_\_ To contact Card Cardholder Services call: 1-866- \_\_\_\_\_

You requested your Refund be Mailed directly to you by \_\_\_\_\_

You requested a Direct Deposit The Bank will directly deposit the net amount of your refund into your bank account ending in \_\_\_\_\_ If you were approved for a Money Now Loan, those funds will be received as a Cashier's Check.

You requested a Cashier's Check

I certify that I have received my cashier's checks(s):

<input type="checkbox"/> Money Now Loan	Check # _____	Customer Signature _____	Date _____
<input type="checkbox"/> RAL	Check # _____	Customer Signature _____	Date _____
<input type="checkbox"/> Federal AR	Check # _____	Customer Signature _____	Date _____
<input type="checkbox"/> State AR	Check # _____	Customer Signature _____	Date _____
<input type="checkbox"/> Other	Check # _____	Customer Signature _____	Date _____

You requested disbursement by Card Card. For security purposes, please verify that you have elected to receive your state refund as a bank product, it will also be disbursed by Card and that the last four (4) digits on that Card EXACTLY match the following numbers \_\_\_\_\_ and initial here \_\_\_\_\_ To contact Card Cardholder Services call: 1-866- \_\_\_\_\_

**You understand and agree to the following:**

- Your return(s) has been prepared by \_\_\_\_\_ based solely on the information provided by you, and you are responsible for any incomplete or inaccurate information provided therein.
- Once your return is accepted by the IRS, the IRS may examine your return and cause your tax refund to be delayed. \_\_\_\_\_ is unable to determine if your refund(s) will be delayed or for how long. In particular, the following items may cause the IRS to delay the issuance of all or part of your refund: Earned Income Credit, Child Tax Credit, and/or filing Form 8379 as an injured spouse.
- You have been provided a Return Recap, receipt and a copy of the bank's application (if applicable) with detailed fee information.
- In the event that you are not approved for a financial product, you will be notified by the bank.
- You are responsible for payment of all fees owed to your \_\_\_\_\_ Tax Service office. This amount is 372.00. Your receipt provides details of this amount, including current year tax preparation fees and prior year fees (if applicable). You agree that if you still owe any fees to \_\_\_\_\_ the end of the tax season, these fees may be collected by any lawful means, including if you return to \_\_\_\_\_ for tax preparation in a subsequent year.

Taxpayer Signature

Date

1-29-09

Joint Taxpayer Signature

Date \_\_\_\_\_

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**REFUND ANTICIPATION LOAN DISCLOSURES & FEE SCHEDULE  
ASSISTED REFUND DISCLOSURES**

**Refund Anticipation Loan Disclosure:** Your selection of an Assisted Refund / Bank Loan ("AR/BL") includes a refund anticipation loan ("RAL"). A RAL is a loan, which creates a legally enforceable debt. The loan is not your actual income tax refund.

You may have your tax return filed electronically and obtain your refund directly from the Internal Revenue Service ("IRS") for free without also applying for or obtaining a RAL. According to the IRS, if you file a tax return electronically and do not obtain a RAL, you can expect to receive a tax refund in 8-15 days by direct deposit into your personal bank account or 21-28 days by mail. If you mail your return and do not obtain a RAL, you can expect to receive a tax refund in 5-7 weeks by direct deposit into your personal bank account or 6-8 weeks by mail.

The IRS does not guarantee that it will pay the full amount of your anticipated refund and does not guarantee a specific date that a refund will be deposited into your bank account or mailed to you. If you apply for and are approved for a RAL, you will be responsible for repayment of the RAL and related fees and charges if the anticipated tax refund is not paid or paid in full. If you apply for and are approved for a RAL, the time within which your loan proceeds will be paid to you is estimated to be 1 day.

Below is your representative RAL amounts detailing finance charge and estimated annual percentage rate ("APR"):

RAL Amount	Finance Charge	Estimated APR
\$ 500	\$5.35	35.89%
\$ 750	\$8.03	35.89%
\$1000	\$10.70	35.89%

The finance charge equals 1.07% of the loan amount. The estimated APR is calculated using the guidelines established under the federal Truth in Lending Act (15 U.S.C. § 1601 and following) and use a repayment term of 11 days. In connection with your application for the AR/BL, a \$30.95 tax refund account fee will also be charged by the bank.

Your selection of an AR/BL includes an Assisted Refund. If your application for a RAL is denied for any reason, you will still have paid the bank a \$30.95 tax refund account fee at the time the bank is in receipt of your refund. Alternatively, you can choose not to apply for an AR/BL and receive your refund from the IRS as described above.

(a) RAL Amount	\$ <u>908.38</u>
(b) Finance Charge	\$ <u>9.72</u>
(c) Estimated APR	<u>35.890</u> %
(d) Estimated Total Fees for Obtaining the RAL	\$ <u>40.67</u> *

\*For the lender's listing of all fees, see the lender's Truth-in-Lending disclosures.

Acknowledged by:

Taxpayer Signature

Spouse Signature (with joint return)

Name: \_\_\_\_\_ SSN: \_\_\_\_\_  
 Name: \_\_\_\_\_ SSN: \_\_\_\_\_

**ASSISTED REFUND / BANK LOAN TRUTH-IN-LENDING (TILA) DISCLOSURE AND LOAN AGREEMENT**

**Note:** Your Assisted Refund / Bank Loan (AR/BL) is a loan obligation subject to the following terms and disclosures.

In this TILA disclosure and loan agreement, the term "you", "your" and "yours" refer to the applicant(s). The words "we", "us" and "our" refer to Bank & Trust (SBBT), a division of f

<b>ANNUAL PERCENTAGE RATE*</b> The cost of your credit as a yearly rate	<b>FINANCE CHARGE</b> The dollar amount the credit will cost you	<b>Amount Financed</b> The amount of credit provided to you or on your behalf
<u>35.890</u> %	\$ <u>9.72</u>	\$ <u>898.66</u>

**Payment Schedule:** One payment equal to \$ 908.38 will be due when the IRS makes a direct deposit of your tax refund with SBBT which should occur approximately 11 days from the day your AR/BL is disbursed.

**Creditor:** SBBT is the creditor in this loan transaction.  
**Prepayment:** If you pay off early, you will not be entitled to a refund of part or all of the Finance Charge.  
**Security:** When you apply for an AR/BL you will be granting SBBT a security interest in your federal tax refund and your Account to the extent of your AR/BL and any other fees or charges authorized in your ASSISTED REFUND AND REFUND ANTICIPATION LOAN APPLICATION AND AGREEMENT ("AGREEMENT").  
**Contract Reference:** See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment rebates and penalties.  
 \* All numerical disclosures are estimates

**ITEMIZATION OF AMOUNT FINANCED**

1. Amount of loan paid directly to you	\$ <u>867.71</u>
2. SBBT tax refund account handling fee	\$ <u>30.95</u>
3. Amount Financed (add 1 - 2)	\$ <u>898.66</u>
4. Total Prepaid Finance Charge (SBBT Bank Fee)	\$ <u>9.72</u>
5. Total Loan Amount (3 + 4)	\$ <u>908.38</u>

**ADDITIONAL DISCLOSURES:** Once your AGREEMENT has been signed and transmitted to SBBT and SBBT has received an acknowledgement from the Internal Revenue Service (IRS) that your electronically filed tax return has been received and accepted by the IRS, SBBT will open a temporary deposit account to receive your IRS refund and SBBT will approve or deny your loan. If your AR/BL is approved, SBBT will make all authorized deductions and disburse the amount on Line 1 to you in accordance with the disbursement method chosen by you. If fees were associated with the disbursement method you chose, your disbursement would be reduced by the amount of those fees (please refer to your disbursement option agreement for a disclosure of these fees). If your AR/BL is approved and disbursed to you and SBBT subsequently receives your IRS tax refund, SBBT will apply the tax refund towards your outstanding AR/BL obligation. Any refund balance in excess of \$1 will be paid to you in a subsequent disbursement. If your loan is denied, your deposit account will be kept open to receive your tax refund. If and when the tax refund has been deposited by the IRS to your deposit account, SBBT will make all deductions authorized by your AGREEMENT and disburse the balance of the deposit account to you in accordance with the disbursement method chosen by you. SBBT has no control over and cannot guarantee if or when the IRS will issue you a refund or what the amount of your expected tax refund will be.

**BY SIGNING BELOW,** I acknowledge that I have received these TILA disclosures concerning my AR/BL. I understand that these disclosures will apply to my AR/BL if I am approved for an AR/BL and I agree to each of the terms in this TILA disclosure and to each of the terms in my signed AGREEMENT.

\_\_\_\_\_  
 Co-Applicant (Joint taxpayer must sign if also applying for a loan)

Date/Time Printed: 01/29/2009 05:52:27 PM PST

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# Tax Return Has Not Been Filed! Come Back With Form W-2

TAXPAYER INFORMATION

Product Option(s):

You requested an  line of credit

Application ID:

Your application has been approved. Please contact your bank at 1-866- or you may review your line of credit account information at www.

269.06 is the net amount loaded on your Card today.

For security purposes, please verify that you have received an Card and that the last four (4) digits on that Card EXACTLY match the following numbers and initial here. To contact Cardholder Services call: 1-866.

## You understand and agree to the following:

\* Your tax year 2008 federal and state (if applicable) tax return(s) will not be filed at this time with the IRS and state agency. When you have received your Form W-2(s), or if it is after February 14th and you have determined that you will not be getting any, you must return to this office to have your tax return(s) completed and filed. If the Gold Guarantee and/or Discount Health Benefit option(s) were selected, please note that they do not become effective until the tax return has been filed with the IRS and the fees have been fully paid.

\* Your actual anticipated refund amount(s) will be determined when you come back to have your return completed and filed, and may differ from the estimate(s) above if there is any change to the tax information you provided.

\* Tax preparation fees owed are estimated based upon the information provided today for the preparation of your return and do not include any fees associated with any financial products you may choose to select. Fees will be confirmed when you come back to have your return(s) completed and filed, and may differ from the amount estimated today if you change the information provided. A \$35 prepaid tax preparation fee has been assessed today and paid from the power line of credit. This fee will be credited against your total tax preparation fees owed. You must return to the same to have your tax return completed and filed to receive this credit. If you do not return to complete and file your tax return by the last day to file your return without extension (typically April 15), you may, after that date request to receive a refund for the prepaid tax preparation fee paid. This request must be made in writing to the address set forth on the receipt and must be received no later than June 30 of the same year. You will be mailed this amount.

\* You agree that if you still owe any fees to at the end of the tax season, these fees may be collected by any lawful means, including if you return to for tax preparation in a subsequent year.

Taxpayer Signature:

Spouse Signature:

**Bank Product Deposit and Refund Info**

Expected Refund	Amount
Federal Refund	\$1,624.00
State Refund	\$0.00
<b>Total Expected Refund</b>	<b>\$1,624.00</b>
Expected Deposit	Amount
+ Total Expected Refund	\$1,624.00
- JH Withheld Fees <i>tax prep fee</i>	\$407.00
- Current year HELP Loan	\$0.00
- Bank Withheld Fees	\$71.61
- Total Checks Paid (except MNL and IPLOC2)	\$902.34
- Unpaid prior year tax prep fee	\$0.00
- Current year Money Now Loan	\$0.00
- Current year IBC loan	\$0.00
- Current year BT loan	\$0.00
- Cross Bank Debt	\$0.00
<b>Total Expected Deposit</b>	<b>\$243.05</b>

Debt Indicator Legend

- I IRS (1-800-829-1040)
- F Financial Mgt Svc (1-800-304-3107)
- B Both

Actual Deposit	Amount	Date	Debt
Federal Deposit	\$0.00		N
State Deposit <i>35.89%</i>	\$0.00		N
<b>Total Actual Deposit</b>	<b>\$0.00</b>		

$71.61 + 30.95 + 4.04 + 26.91 = 71.62$

**IPLOC at time of Final Product**

IPLOC	Receipt	Approved LOC	Initial Draw
ipower Plus 2	<b>HCE12669</b>	\$300.00	\$234.06

**Card Load Adjustments**

Description	Amount
Estimated IPLOC Repayment	\$308.62

**Cash Card Info**

Total Funds	Amount	Loaded
Funds Deposited	\$1,136.40	
Funds Removed	\$0.00	
<b>Expected Deposit Amount</b>	<b>\$1,136.40</b>	

JH Cash Card: Y Card Type:

Last 4 Numbers: 1098

\* Total Refund will always be more than the sum of Federal & State due to fees

\*\* Support Number for RAL/AR Cash Cards: 1-866-518-4722

**Disbursement Detail**

Check #	Printed	Cleared	Amount	Type	Voided	Auth #
	1/30/2009 4:25:03 PM	1136.40	\$902.34	Cash Card		20583220
	1/6/2009 2:12:22 PM		\$234.06	Cash Card		00347922

**Bank Transmission/Status Information**

Date/Time	Bank	Seq #	Status
1/6/2009 1:48:41 PM	Bank		Approved
1/30/2009 6:37:21 AM	& Trust		Approved



# Tax Return Has Not Been Filed! Come Back With Form W-2

## Receipt

PORTLAND, OR 97230

Phone: Day: ( )

**Purchases**

Pre-paid Tax Preparation 35.00\*

**Line of credit Activity**

Credit Limit	300.00
Credit Line Advances	-269.06**
Initial Usage Fee FINANCE CHARGE	-4.04
Advance Fee FINANCE CHARGE	-26.91
Current Balance Owed	300.01
Remaining Available Credit	

> 30.95

**Card Activity**

Amount loaded to your Card today	269.06
Purchase (Pre-paid Tax Preparation)	35.00
Card balance	234.06

You have received an  Card along with information on how to sign up for direct deposit of your payroll funds and/or government benefits and apply online for an  Line of Credit from  iBank. Hold onto this card and bring it with you when you come back to .

**Purchases**

Amount Paid:

Employee #:

Office #:

Card and *ipo* line of credit information provided by  iBank.

\*You are responsible for payment of all fees owed to your  Service office. This amount is set forth above. You agree that if you still owe any fees to  at the time you return for tax preparation, you will pay these fees.

\*\*You will be assessed an Initial Usage Fee FINANCE CHARGE equal to 1.5% of the total advance amount(s) you request today.

You may cancel a request for an advance with no cancellation fee by calling  Customer Service within 24 hours of the time you made the request for credit, provided that no cancellation shall be effective unless the funds advanced are available to be returned.

Date/Time Printed: 01/06/2009 10:52:47 AM PST

F 12/10/05

(7)

800c

### Select Fee Detail

Return Count: 1  
 Detail for Receipt:

Fee	Jurisdiction	Fee Count	Fee Amount	Average Fee	Attachment Rate
Child Tax Credit	FD	1	\$54.00	\$54.00	100.00 %
Student Loan Interest	FD	1	\$16.00	\$16.00	100.00 %
Form 1040A	FD	1	\$136.00	\$136.00	100.00 %
Schedule EIC	FD	1	\$97.00	\$97.00	100.00 %
Form 8812	FD	1	\$52.00	\$52.00	100.00 %
Form W-2	FD	1	\$9.00	\$9.00	100.00 %
Form 40	OR	1	\$53.00	\$53.00	100.00 %
Substitute W-2 Surcharge	FD	1	\$2.00	\$2.00	100.00 %
Dependents	FD	1	\$18.00	\$18.00	100.00 %

\$ 437

This Dashboard is intended solely for use as a monitoring tool to help you understand your pricing of tax returns based on the fees set by you in Fee Management eServices. The pricing reflected in this dashboard will not reflect actual revenue earned and should not be relied upon for that purpose. Actual revenue will differ. These fees will initially be based upon the fees charged in the first visit and assumes that the customer returns to complete and file their tax return. Should the fees change during the follow-up visit, the fees in the dashboard will be updated. Where as the At A Glance fees are established during the initial transmission and will not change.