

Good morning. Chairman Barnhart (Berger), members of the committee –

My name is Sarah Holtzclaw. I work for Partnership to End Poverty in Central Oregon.

I have come to support House Bill 3640.

For most of us, poverty is something that is huge and an unsolvable. For most of us, we are on the outside looking in at something that can't be easily explained. There are many barriers that keep a person, or a family in poverty, or in low-income situations-- many barriers that must be overcome daily just to survive. It is the intention of The Partnership to minimize those barriers and to be a voice for those who cannot speak for themselves.

House Bill 3640 can help. In three short points, I can illustrate how.

House Bill 3640 is about protecting our most vulnerable consumers through transparency

Refunds for low-income tax payers are a critical lifeline. Refunds are used immediately to pay rent, utility and day care bills, or car repairs. Filers are often desperate for the refund to get back on track financially. Getting their refund as quickly as possible is imperative – thus the attraction of refund products.

As we all know from recent experience, filing taxes can be daunting. But for low-income filers, it is even more so. They are intimidated by the process, the preparer and the government and the need to pay for the preparation. Add to this the confusing process of tax filing fees and the refund loan process, the level of intimidation increases considerably.

The toxic combination of the two things, desperation and intimidation creates a reaction of “just signing on the dotted line”. The posted notices required in House Bill 3640 will help a filer take a second breath, look at the situation and make a reasonable decision.

Regardless of administrative rulings and risk-management by banks -- where there is desperation, there will be refund products.

The working poor is big business across the country. Refund products were born out of the desperation I spoke of and the very existence of the Earn Income Tax Credit - and they will continue to exist because of it.

Oregon is progressive in our payday loan legislation that has limited predatory lending. However, refund products are not covered in that legislation. They will and are continuing to exist and will likely morph simply because there is profit in it.

In August of 2010, the IRS took steps to curb RAL's by eliminating the debt indicator for e-filed returns. That day, the CEO of H & R Block released a statement stating, and I quote:

"Today, the IRS took action that will likely increase the cost of refund anticipation loans for millions of low- to moderate-income taxpayers." He goes on to say, ""It is unfortunate that those impacted by this decision are often unbanked or under-banked and have no unified voice or trade organization to represent them. They will visit our offices during tax season seeking tax refund-related products and learn their choices are now more limited and potentially more expensive than in years past."

In January of this year, Jackson Hewitt's stock rose at the news that H & R Block's bank, HSBC, was order to stopped funding refund loans.

As I said....the working poor is big business.

My final point is that House Bill 3640 is not intended to put a burden on the tax practitioner but to offer information to the public and user of these products who are, by far, low-income people. The spirit of the law is to offer a point of comparison for tax filers so that they can understand the financial consequences of the fees being offered.

In closing, we encourage you to send this bill to the floor with a "do pass" recommendation.

Thank you, I'd be happy to answer any questions you many have.

Chairman Barnhart (Berger) , Senator _____ :