



REFUND ANTICIPATION LOAN (RAL) DISCLOSURE PROTECTS MICHIGAN TAX PAYERS

Every year during tax season, thousands of Michigan taxpayers pay millions of dollars in fees to receive a high-interest, short-term loan for the anticipated amount of their income tax refund. Called Refund Anticipation Loans (RALs), these loans are offered by professional tax preparers who often deceptively market them as a “rapid refunds” and not loans. As a result, consumers are often unaware that the money they receive is a loan and not their actual refund, and that there are high costs and fees associated with the loan.

To better inform consumers, the ABPP supports House Bills 4166 and 4607, which would require the disclosure of certain information by those issuing RALs. Specifically, this legislation would require disclosure of the following:

- All interest, fees and hidden costs associated with RALs
- That an RAL is a loan and not a refund
- That the taxpayer could file electronically without applying for the RAL to expedite processing time
- The estimated time a refund would take to be issued by the government (usually 8-12 days)
- That there is no guarantee that the refund will equal what is on the tax form
- That the taxpayer is responsible for the difference if the tax form is not correct

This legislation does not ban RALs. Rather, House Bills 4166 and 4607 seek to inform consumers so that they can make educated decisions regarding their personal finances and protect themselves from the predatory practices of some less-than-scrupulous individuals in the financial service industry.

The Michigan Asset Building Coalition (ABC) is a diverse, bipartisan alliance of nonprofit, for-profit and governmental organizations, institutions and individuals actively engaged in supporting effective strategies to reduce asset poverty and help working families achieve lasting and sustainable financial security. Working collaboratively in Action Committees, ABC members utilize their experience and expertise as asset building practitioners to recommend specific changes in state and federal policy that improves the quality of life for Michigan families and the communities they call home.

The Michigan Asset Building Policy Project (ABPP) at the Community Economic Development Association of Michigan (CEDAM) strategically coordinates all policy, communication and advocacy efforts of the ABC. Working to advance the ABC Policy Agenda, the ABPP actively engages policymakers and stakeholders to support public policy that increases access to higher education, career-advancement and job-training opportunities, improves personal economic and finance skills, and empowers low-wage workers and families to escape poverty through the building and development of personal assets.



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