



FILING TAXES

Income Tax Return Preparation

Refund Anticipation Loans
and Refund Anticipation Checks



United Way for Greater Austin

INTRODUCTION

United Way for Greater Austin (UWATX) is an innovative, impact-driven organization that addresses critical social issues by bringing people and resources together to create opportunities for individuals, families, and neighborhoods to prosper.

United Way collaborates with hundreds of local nonprofit organizations, and corporate and public sector partners to provide financial, volunteer, and advocacy support for the community. We convene community leaders from across all sectors to identify and implement strategies to address today’s pressing social challenges.

THE FINANCIAL TOOLKIT

This toolkit provides simple, useful information to help individuals understand the financial resources, products, and services in the community.

DISCLAIMER

United Way for Greater Austin gratefully acknowledges South Texas Alliance for Economic Inclusion, Texas Appleseed, and the Boston Alliance for Economic Inclusion for providing their resource guide to be adapted for use in Texas.

By working together across the country, we leverage our resources to help consumers make positive decisions about financial products. This publication was made possible by a grant from the FINRA Investor Education Foundation through a partnership with United Way Worldwide.

The intent of the guide is to assist individuals in making positive choices about financial products. This guide does not purport to be exhaustive, but rather aims to provide basic guidelines. Individuals should consult with a professional for specific advice.

Neither UWATX, nor South Texas AEI, nor any other agency or entity involved in the development of this Guide assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, product, or process disclosed in these examples. Reference herein to any specific commercial product, process, service by trade name, trademark, manufacturer, or otherwise does not constitute or imply its endorsement, recommendation, or favoring by UWATX, South Texas AEI, or any entities thereof.

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AT A GLANCE: NON-TRADITIONAL FINANCIAL SERVICES

SERVICE / PRODUCT	PROBLEMS	ALTERNATIVE OPTIONS
CHECK CASHING	<ul style="list-style-type: none"> High fees 	<ul style="list-style-type: none"> Direct deposit for immediately available funds at no fee Shop around for lowest check cashing fees
PAYDAY LOANS	<ul style="list-style-type: none"> High loan fees with short repayment period Most borrowers cannot pay back in two weeks Can exceed 500% APR 	<ul style="list-style-type: none"> Borrow from friends or family Charitable organizations Local bank or credit union Low fee credit card advance Build savings for next short-term cash need
AUTO TITLE LOANS	<ul style="list-style-type: none"> High loan fees with short repayment period Fees often equal 25% of loan principal each month, over 300% APR Risk losing vehicle 	<ul style="list-style-type: none"> Loan from friends or family Loans from local bank or credit union Charitable organizations Low fee credit card advance Build savings for future needs
PAWN SHOPS	<ul style="list-style-type: none"> If the loan is not repaid, the collateral becomes the property of the pawn shop Lose value in excess of loan 	<ul style="list-style-type: none"> Secure a part-time job for extra cash Pay advance from employer Loan from family or friends
RENT-TO-OWN	<ul style="list-style-type: none"> Items overpriced Many fees Missed payment means losing item and money 	<ul style="list-style-type: none"> Save first, then purchase Layaway plans Garage sales, second-hand stores and the classified ads
SUBPRIME CAR FINANCING “BUY HERE PAY HERE”	<ul style="list-style-type: none"> High interest rates, upwards to 32% APR Over-valuation of vehicles Autos often repossessed after one missed payment 	<ul style="list-style-type: none"> Use public transportation and save for a vehicle Credit counseling to improve credit and access prime rate loans
SUBPRIME CREDIT CARDS	<ul style="list-style-type: none"> High interest rates Excessive fees Lower credit limits No grace period Application and setup fees 	<ul style="list-style-type: none"> Secured credit card Improve credit through financial education and counseling
REFUND ANTICIPATION LOANS & REFUND ANTICIPATION CHECKS	<ul style="list-style-type: none"> High fees Refund Anticipation Loan (RAL) APRs 60% to 700% 	<ul style="list-style-type: none"> Community Tax Center or Voluntary Income Tax Site provide free professional tax filing services To locate resources, dial 2-1-1 to reach the United Way Navigation Center

INCOME TAX RETURN PREPARATION

Many taxpayers do not feel comfortable preparing their own tax returns because tax laws are complex and change frequently.

Unless you are sure of how to correctly file income taxes by yourself, you may want to seek help from professional tax preparation services. This ensures you will be able to get the maximum refund, especially for families who may be eligible for the Earned Income Tax Credit (EITC) – a refundable credit focused on low- and moderate-income families.

While many tax preparers are honest and skilled, there are some who charge very high fees and can accidentally make costly mistakes. Ask family and friends for recommendations for a good tax preparer or get free tax-preparation help from the following programs.

FREE TAX PREPARATION AND ADVICE

Programs like Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE) or Foundation Communities offer free tax preparation services. See the “More Info & Help” section on the right for contact information.

The Community Tax Centers (communitytaxcenters.org) provide free income tax preparation for individuals and families who earn up to \$50,000 annually. Income eligibility limits increase for families with more than four members.

IRS-certified tax preparers at the Community Tax Centers are specially trained to help clients claim the credits they are eligible for, including the Earned Income Tax Credit and the Child Tax Credit. Call the United Way Navigation Center at 2-1-1 to be directed to the nearest community tax center.

FOR EXAMPLE

If you do your taxes yourself, make sure you understand the IRS rules by reading the documentation at irs.gov website. Otherwise you may make costly mistakes and end up with an audit or fines, or simply a smaller tax refund than if you had gotten professional tax advice.

If you use a professional tax preparer, make sure they come recommended by people you trust or through one of the tax-preparation assistance programs mentioned above.

ALTERNATIVE OPTIONS

- E-file with direct deposit. Electronic tax filing speeds up the refund. Taxpayers tell the IRS to deposit the refund directly into their bank or credit union account and get their refund within 8 to 14 days without paying for RAL or RAC.
- Use free programs like Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) that offer free tax preparation and free e-filing services. Volunteer tax preparers are trained and certified by the IRS to ensure the returns are prepared accurately.

IMPORTANT TERMS

- **Direct Deposit** – Transfer of money between accounts: a method of transferring a payment such as a salary electronically, directly from the payer’s bank account into the payee’s.
- **E-File** – E-file is a way for taxpayers to electronically file their state and federal tax returns via the Internet to the IRS.
- **EITC (Earned Income Tax Credit)** – A federal program that refunds income taxes to low-income wage earners.
- **VITA (Volunteer Income Tax Assistance)** – An IRS service that provides free assistance in preparing federal income tax returns for low and moderate income taxpayers.

MORE INFO & HELP

For help with questions, call: Dial 2-1-1 from any phone in Texas to receive personalized referrals free of charge.

To find free tax preparation programs like VITA or TCE: Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites near you can be found by calling IRS at 1-800-906-9887.

You may also visit RaiseTexas.org’s asset building database to find tax preparation help at raisetexas.org/assets_building_db/search/

Tax advice from Foundation Communities: communitytaxcenters.org

REFUND ANTICIPATION LOANS AND REFUND ANTICIPATION CHECKS

A Refund Anticipation Loan (RAL) is a loan from a bank working in partnership with a paid tax preparer, which uses a taxpayer's anticipated refund as collateral. A Refund Anticipation Check (RAC) is a check in the amount equal to the taxpayer's refund, minus tax preparation and RAC issuance fees.

These products are most often sold to those consumers with lower incomes, such as those who are eligible for the EITC, who believe they need the refund monies immediately.

THE PROBLEM

RALs and RACs give you cash quickly, but they have high fees and if your tax refund does not end up being as much as you thought, you will still be responsible for the entire RAL or RAC loan you received, plus any fees those loans charge.

FOR EXAMPLE

Much like a payday loan, a RAL loan has interest rates that soar well over 200% APR and can reach as high as 500%. As an example, a refund anticipation loan could actually cost you a couple hundred dollars for borrowing a few thousand for 5 days.

ALTERNATIVE OPTIONS

- E-file with direct deposit. Electronic tax filing speeds up the refund. Taxpayers tell the IRS to deposit the refund directly into their bank or credit union account and get their refund within 8 to 14 days without paying for RAL or RAC.
- Taxpayers will save \$200 or more in RAL and RAC fees just by waiting a couple of weeks for the refund to arrive, which could be much sooner and safer by direct deposit than if the IRS were to mail the refund check.
- Use free programs like Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) that offer free tax preparation and free e-filing services. Volunteer tax preparers are trained and certified by the IRS to ensure the returns are prepared accurately. To find the nearest VITA or TCE site, contact the IRS at 1-800-906-9887.

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- **EITC (Earned Income Tax Credit)** – A federal program that refunds income taxes to low-income wage earners.
- **RAC (Refund Anticipation Check)** – A check in the amount equal to the taxpayer's refund, minus tax preparation and RAC issuance fees.
- **RAL (Refund Anticipation Loan)** – A loan from a bank working in partnership with a paid tax preparer, which uses a taxpayer's anticipated refund as collateral.

MORE INFO & HELP

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Tax advice from Foundation Communities: communitytaxcenters.org

FINANCIAL EDUCATION RESOURCES

Cornerstone Financial Education

3011 N. Lamar Blvd.
Austin, TX 78705
512-263-0532
www.CSFEDU.org

Provides various education and counseling programs. Programs are designed to assist individuals to better understand how money and credit work. Individual and group presentations are available in the following areas: budgeting, goal setting, credit, personal finance, home buying, foreclosure mitigation, and debt management. HUD-approved.

Core Bank On Partner, please inform that you are part of the Bank On program.

Foundation Communities

2600 W. Stassney Lane
Austin, TX 78745
512-610-4026
www.foundcom.org

Helps individuals and families develop sound money management skills through one-on-one financial coaching. The program topics include setting financial goals, budgeting, reducing debt, increasing credit scores, and using financial institutions wisely. Must meet criteria to qualify for assistance. Free tax and FAFSA preparation.

Core Bank On Partner, please inform that you are part of the Bank On program.

BCL of Texas

2212 S. Congress Ave.
Austin, TX 78704
512-912-9885
www.bcloftexas.org

Provides homebuyer education programs and assists first-time homebuyers with the purchase of their home. Programs offered include free one-on-one business counseling, business plan development, and technical assistance and mentoring. Refer to the website for calendar. Offered in English and Spanish.

Many banks and credit unions have financial educators that can teach free classes. For example:

- **Greater Texas Federal Credit Union:** Rachel Fausett, 512-323-4732, rachel.fausett@gtfcu.org
- **Wells Fargo:** Theresa Alvarez, 512-794-2744, Theresa.alvarez@wellsfargo.com. Wells Fargo nonprofit instruction resources: <http://www.handsonbanking.org/en/non-profits.html>
- **Frost Bank:** Betty Davis, 512-473-4902, bdavis@frostbank.com
- **Randolph Brooks Federal Credit Union:** Alma Joers, 512-719-2625, ajoers@rbfcu.org

Frameworks Community Development Corporation

701 Tillery St., Suite A-78
Austin, TX 78702
512-385-1500
www.frameworkscdc.org

Offers homeownership counseling and foreclosure prevention assistance. HUD-approved.

Consumer Credit Counseling Services

1106 Clayton Lane, Suite 490
Austin, TX 78723
866-901-2227 or 512-447-0711
www.cccs.net

Provides homebuyer counseling for equity conversions and pre- and post-purchase. Also provides mortgage delinquency and default resolution counseling, as well as debt management counseling. HUD-approved.

Also offers free one-on-one financial counseling and financial classes in both a classroom setting and online. Class topics include Money Matters, Dollars and Sense, and Credit Fix Mix Up. Class schedules are available online. Also available on the website are two free self-paced interactive programs: Money Smart*Credit Smart, and Money Matters.

Neighborhood Housing & Community Development

1009 East 11th St., Suite 103
Austin, TX 78702
512-974-3100
www.austintexas.gov/housing

Provides homebuyer counseling for home improvement, and pre- and post-purchase. Also provides mortgage delinquency and default resolution counseling. HUD-approved.

Austin Habitat for Humanity

55 N IH 35, Suite 240
Austin, TX 78702
512-472-8788 x150
www.austinhabitat.org/apply/
counseling.php

Offers classes on money and credit management, home care and safety, purchasing a home, post-purchasing and foreclosure. HUD-approved.

ClearPoint Credit Counseling Solutions

314 E. Highland Mall, Suite 306
Austin, TX 78752
512-419-7572
www.clearpointccs.org

Provides various education and counseling programs. Programs are designed to assist individuals to better understand how money and credit work. Individual and group presentations are available in the following areas: budgeting, goal setting, credit, personal finance, home buying, foreclosure mitigation, and debt management. HUD-approved.

Texas Legal Services Center

815 Brazos St., Suite 100
Austin, TX 78701
512-477-6000 ext. 114
www.tlsc.org

Offers free legal information to low-income Texans on a wide range of legal issues – including consumer matters – in both Spanish and English languages. Also operates the free legal website www.texaslawhelp.com, which provides a wide range of legal information on consumer, family, and other civil legal issues.

Texas Rio Grande Legal Aid, Inc.

4920 North IH 35
Austin, TX 78751
512-374-2747
www.trla.org

Free income tax training. Provides free training to low-income persons on their rights and responsibilities, with respect to federal income taxes. Topics include: the basics of the U.S. tax system, reasons to file a tax return, how to file a tax return if you do not have a valid SSN, how to select a tax preparer, dangers of refund anticipation loans, filing status, dependent exemptions, Earned Income Tax Credit, Child Tax Credit, claims for innocent and injured spouse, taxpayers' rights when dealing with the IRS, and how to appeal an IRS decision.