



Consumer Advisory

Consumer Alternatives for Receiving Income Tax Refunds

This consumer advisory provides details on alternatives that taxpayers have for receiving their income tax refunds.

What Are the Ways Taxpayers Can Receive Their Refunds?

Refund Check in the Mail

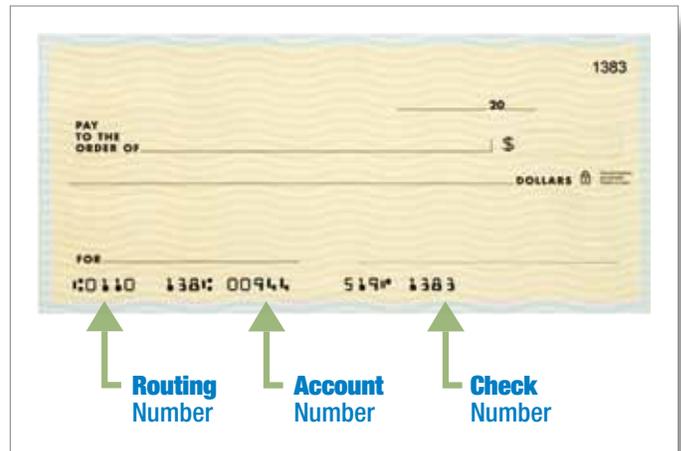
You can request that a tax refund check be mailed. Your access to the funds will be delayed until the refund check is deposited in a bank account or cashed elsewhere.

Direct Deposit

Direct deposit is a quick and efficient option if you have a financial account, such as a savings or checking account. Direct deposit is secure and convenient—a mailed tax refund check can be lost or stolen or your access to the funds can be delayed until you have time to deposit the check.

You can choose direct deposit whether you file a tax return electronically or mail your tax return to the Internal Revenue Service (IRS) or state income tax authority. If an income tax return is filed electronically and direct deposit is requested, the IRS has indicated that a refund will be issued in **as few as 10 days**.

The IRS makes it easy for taxpayers to choose direct deposit. To make a direct deposit into just one account, the bank routing information and account number should be entered at the end of the IRS Form 1040 as illustrated at the bottom of the page.



The bank's routing number and account information can be obtained from a check or savings account deposit slip. The sample check, shown above, illustrates where to find routing and bank account numbers.

It is important to make sure that the names on the account are the same as the names of the taxpayers filing the return. If the names are different, it may prevent the IRS from

Form 1040 (2009) Page 2

	71	Add lines 61, 62, 63, 64a, and 65 through 70. These are your total payments ▶	71		
Refund	72	If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you overpaid	72		
Direct deposit? See page 73 and fill in 73b, 73c, and 73d, or Form 8888.	73a	Amount of line 72 you want refunded to you . If Form 8888 is attached, check here . . . ▶ <input type="checkbox"/>	73a		
	▶ b	Routing number	▶ c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	▶ d	Account number			
	74	Amount of line 72 you want applied to your 2010 estimated tax ▶	74		
Amount	75	Amount you owe . Subtract line 71 from line 60. For details on how to pay, see page 74 . . . ▶	75		
You Owe	76	Estimated tax penalty (see page 74)	76		

depositing the refund electronically. If you are unsure whether the name on your account matches the name on the income tax return, you should check with your bank prior to filing the return.

Taxpayers who do not currently have an account at a financial institution should consider opening a bank account to use direct deposit to receive their tax refund. The account should be opened before you file the return.

The IRS allows direct deposits in up to three accounts. However, the taxpayer must file Form 8888 if the refund is being deposited into more than one account. Refunds can be directed into checking or savings accounts, individual retirement accounts, health savings accounts, accounts with brokerage firms, or other similar types of accounts. For more detail on how to deposit a refund into several loan accounts, visit the IRS Web site at <http://www.irs.gov/individuals/article/0,,id=164570,00.html> and <http://www.irs.gov/pub/irs-pdf/f8888.pdf>.

Direct deposit of an income tax refund is a quick and efficient option if you have a financial account, such as a savings or checking account. Direct deposit is secure and convenient—a mailed tax refund check can be lost or stolen or your access to the funds can be delayed until you have time to deposit the check.

Tax Preparation Firm Services

Tax preparation firms offer a variety of services to give their customers access to funds, in some cases a little more quickly than you can get your actual tax refund through direct deposit. **You should carefully consider the cost of these services and whether that additional cost is worth any benefit received.** Don't fall for any high-pressure sales tactics and don't pay for something that you do not need.

Stored Value and Debit Cards

For a fee, some tax preparation firms will transfer tax refunds onto a stored value or debit card, either immediately in conjunction

with a refund anticipation loan (see below) or when the IRS issues the refund. For taxpayers who do not have an account with a financial institution, this option offers a secure alternative to access funds when needed for purchases or cash withdrawals.

In addition to a fee for issuing a stored value or debit card, transaction costs may also apply. It is important to understand what fees will be charged when the tax return is prepared

and the card is issued. Also, there may be additional fees charged each time the card is used.

Refund Anticipation Loan

A refund anticipation loan (RAL) is a short-term loan product offered by a financial institution through commercial tax preparation firms to a consumer who is expecting an income tax refund. The refund anticipation loan can give a consumer quick access to funds—although the funds are not your tax refund but are a loan. Your tax refund is later applied to repay the refund anticipation loan. Fees and

finance charges for the refund anticipation loan (and often the tax preparation fees) are either deducted from the anticipated amount of the refund or paid out-of-pocket by the taxpayer. If the tax preparer over-estimates the refund, or the refund is denied or delayed, the consumer must still repay the refund anticipation loan according to the terms in the loan agreement. Failure to repay as required could affect a consumer's credit score.

Although a refund anticipation loan may offer easy access to funds on a short-term basis, a RAL can be costly, and paying for a loan may not be necessary given how quickly you can get

your refund from the IRS. These loans also may cost substantially more than other sources of credit that may be just as appropriate to your needs.

If you are eligible to receive Earned Income Tax Credit (EITC) benefits, these fees will be deducted from, and may substantially reduce, your EITC benefits. You will receive your full EITC benefits if you do not take out a RAL.

Fees for refund anticipation loans vary widely. IRS and Federal Reserve Board requirements govern disclosures describing refund anticipation loans and their costs. Additional disclosures and protections apply to members of the armed services and their dependents.

You should ask about the specific fees and terms of the refund anticipation loan. You should ask for this information in writing, before you pay any nonrefundable fee or agree to any transaction. Also, think about comparison shopping for the best terms with several different tax preparation firms.

Be sure to ask:

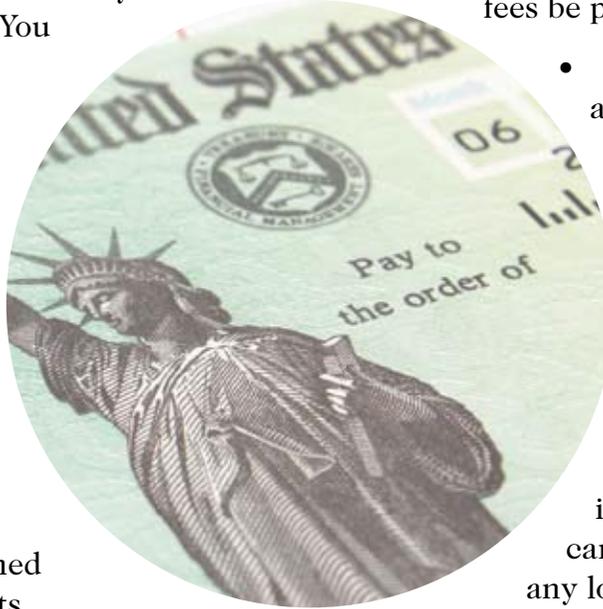
- How long would it take to get a tax refund if the tax preparer electronically files your return and you do not take out a refund anticipation loan?
- How do you get information about a low-cost deposit account from the bank offering the RAL? (This is a good option for receiving your tax refund payment without all the costs of a RAL, and for setting up a convenient way to manage your money.)

- What types of fees will be charged for a refund anticipation loan, and what is the total dollar amount?
- Will these fees be financed into the loan?
- When will the refund anticipation loan funds be made available, and when must the fees be paid?
- What happens if your application for a RAL is denied?
- What happens to your loan if you did not fully pay off prior years' RAL debts to another bank, or if you owe back taxes?

Be sure to consider the information you receive carefully before you commit to any loan. If you cannot get answers to these questions, go to another tax preparer.

Refund Anticipation Check

A refund anticipation check is another product offered by commercial tax preparers. Under this option, a tax preparer creates a temporary bank account for the taxpayer so that the IRS can directly deposit the refund into that account. Once the IRS deposits the tax refund into this account, a check is drawn by the tax preparer to give to the consumer, and then the account is closed immediately. Fees are charged for the RAC services, although the cost is generally less than for a refund anticipation loan. Consumers may also have to pay additional fees to cash the check.



Additional Information

Direct deposit information from the IRS is available at <http://www.irs.gov/individuals/article/0,,id=163764,00.html>.

The Volunteer Income Tax Assistance program (VITA) offers free assistance to help low- to moderate-income taxpayers prepare their tax returns. Volunteers receive training and are certified to prepare basic tax returns. Most VITA programs also offer free electronic filing. To locate volunteer free tax preparation services, call 1-800-829-1040. For information on the IRS Web site, see <http://www.irs.gov/individuals/article/0,,id=107626,00.html> and <http://www.irs.gov/newsroom/article/0,,id=203141,00.html>.

The Tax Counseling for the Elderly program provides trained volunteers who offer free tax counseling and help with tax preparation for individuals who are aged 60 or older. For more information, see <http://www.irs.gov/individuals/article/0,,id=109754,00.html>.