

For Immediate Release

DATE: August 25, 2009

Contact: Elizabeth Paulhus (304) 559-6432
paulhuse@brandeis.edu

Ted Boettner (304) 720-8682
tboettner@wvpolicy.org

Refund Anticipation Loans cost working West Virginians nearly \$13 million

Working West Virginians with modest incomes lost nearly \$13 million of their 2006 federal income tax refunds to tax preparers who promised them “fast cash,” according to a new report from the West Virginia Center on Budget and Policy.

Refund Anticipation Loans (RALs) are short-term loans that provide a credit or cash advance to qualified individuals based upon their expected tax refund, while charging high interest rates on the funds. Despite West Virginia’s strong laws prohibiting or limiting many forms of predatory lending practices, RALs were used by nearly 77,000 West Virginians in 2007.

These “fast cash” loans are marketed to those who need money quickly during tax season. They hold special appeal to cash-poor individuals without personal bank accounts who cannot take advantage of the IRS’ direct deposit service.

“People without access to bank accounts, credit cards, or other forms of credit are easy targets for companies selling RALs,” said Elizabeth Paulhus, author of the report. “If faced with an eviction notice or a medical emergency, many working West Virginians may be lured by the fast cash promise of a RAL.”

The report examined the use of RALs by West Virginians with limited incomes who qualified for the federal Earned Income Tax Credit (EITC). Although EITC recipients make up only 20 percent of West Virginia’s taxpayers, they account for nearly 60 percent of RAL purchases in the state.

Statewide, more than a third of EITC recipients purchased RALs. In four counties (Logan, McDowell, Mingo and Boone), the use of RALs among EITC recipients exceeded 40 percent. An interactive website with county-level data can be accessed at www.wvpolicy.org. (In addition, a data table on all counties is attached.)

“We clearly need to provide more outreach and education to low-income taxpayers about their alternatives,” said Calah Young, director of the West Virginia Alliance for

Sustainable Families, a nonprofit organization focused on helping low-income families maximize their financial resources. “The \$13 million that low-income West Virginia families paid for RALs could otherwise have been spent helping these families make ends meet. That amount would pay the grocery bill or cover child care costs for nearly 25,000 families for an entire month.”

The report recommends involving the state EITC Coalition and Attorney General’s Office in an educational campaign, increasing the number of free tax preparation sites, encouraging taxpayers to set up bank accounts that would enable them to use the direct deposit service of the IRS, and working with nonprofit organizations and financial institutions to develop lower-cost alternatives to refund loans.

RALs and other related topics will be part of the discussion at the Statewide Asset Building Summit on September 29th at Jackson's Mill. For more information about the summit and to register, contact Calah Young at the Alliance for Sustainable Families at (304) 342-6972.

-30-

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The full report – “Magic Money a Mere Illusion: Refund Anticipation Loans and the Earned Income Tax Credit in West Virginia” – can be viewed and downloaded at www.wvpolicy.org.

The Alliance for Sustainable Families is involved in research, education, advocacy, and coalition building on issues affecting West Virginia’s low-income children and families. More information about the organization is available at www.wvasf.org.

Rankings of EITC Dollars Spent on Purchasing RALs, by county

County	EITC Returns	% EITC Recipients Who Purchased RALs	# EITC recipients who purchased RALs	Total EITC Dollars Received in County (\$)	EITC Dollars Spent on Purchase of RALs (\$)	Percentage of EITC Dollars Spent on RALs in County*
Kanawha	15,907	34.37%	5,468	28,291,366	1,531,040	5.41%
Raleigh	6,462	39.46%	2,550	11,905,903	714,000	6.00%
Cabell	7,586	30.89%	2,343	12,962,283	656,040	5.06%
Mercer	5,768	38.94%	2,246	11,085,422	628,880	5.67%
Berkeley	7,003	30.97%	2,169	12,316,375	607,320	4.93%
Wood	7,086	29.06%	2,059	12,945,719	576,520	4.45%
Harrison	5,805	30.20%	1,753	10,492,518	490,840	4.68%
Fayette	4,221	34.26%	1,446	7,766,918	404,880	5.21%
Logan	3,044	46.62%	1,419	5,689,606	397,320	6.98%
Wayne	3,556	33.24%	1,182	6,628,559	330,960	4.99%
Marion	4,322	24.36%	1,053	7,491,715	294,840	3.94%
Mingo	2,411	43.43%	1,047	4,578,225	293,160	6.40%
McDowell	2,199	44.52%	979	4,400,508	274,120	6.23%
Monongalia	4,837	19.54%	945	7,836,446	264,600	3.38%
Putnam	3,242	29.12%	944	5,787,030	264,320	4.57%
Ohio	3,412	27.46%	937	5,892,161	262,360	4.45%
Marshall	2,736	33.08%	905	5,059,060	253,400	5.01%
Lincoln	2,006	39.88%	800	3,794,117	224,000	5.90%
Jefferson	2,840	27.71%	787	4,925,168	220,360	4.47%
Boone	1,858	41.66%	774	3,398,421	216,720	6.38%
Greenbrier	2,981	25.49%	760	5,258,417	212,800	4.05%
Hancock	2,329	31.73%	739	4,030,236	206,920	5.13%
Randolph	2,661	27.70%	737	4,629,820	206,360	4.46%
Nicholas	2,246	32.46%	729	3,978,852	204,120	5.13%
Wyoming	2,037	35.30%	719	3,604,674	201,320	5.58%
Jackson	2,196	28.28%	621	4,034,195	173,880	4.31%
Mineral	2,247	26.88%	604	4,054,335	169,120	4.17%
Preston	2,557	23.07%	590	4,454,779	165,200	3.71%
Mason	1,968	29.47%	580	3,628,028	162,400	4.48%
Brooke	1,770	29.21%	517	2,995,062	144,760	4.83%
Upshur	2,069	24.55%	508	3,848,291	142,240	3.70%
Hampshire	1,813	27.08%	491	3,230,062	137,480	4.26%

Lewis	1,494	28.92%	432	2,637,602	120,960	4.59%
Hardy	1,196	35.95%	430	2,256,515	120,400	5.34%
Wetzel	1,490	25.84%	385	2,846,046	107,800	3.79%
Summers	1,106	32.64%	361	2,029,060	101,080	4.98%
Roane	1,226	28.55%	350	2,238,208	98,000	4.38%
Taylor	1,356	24.34%	330	2,467,021	92,400	3.75%
Grant	1,058	29.87%	316	1,880,119	88,480	4.71%
Monroe	1,019	29.34%	299	1,809,790	83,720	4.63%
Braxton	1,169	25.15%	294	2,149,970	82,320	3.83%
Barbour	1,417	20.54%	291	2,562,143	81,480	3.18%
Morgan	1,212	23.51%	285	2,067,457	79,800	3.86%
Clay	985	28.22%	278	1,901,082	77,840	4.09%
Ritchie	891	27.72%	247	1,639,438	69,160	4.22%
Tyler	690	28.26%	195	1,341,816	54,600	4.07%
Webster	862	21.81%	188	1,549,791	52,640	3.40%
Pendleton	584	29.62%	173	1,048,077	48,440	4.62%
Doddridge	672	24.70%	166	1,240,074	46,480	3.75%
Calhoun	661	24.05%	159	1,145,983	44,520	3.88%
Pleasants	584	27.05%	158	1,056,180	44,240	4.19%
Wirt	615	23.41%	144	1,181,417	40,320	3.41%
Gilmer	583	24.36%	142	1,047,366	39,760	3.80%
Pocahontas	758	15.17%	115	1,257,195	32,200	2.56%
Tucker	612	14.22%	87	1,005,196	24,360	2.42%
All Counties	145,415	35.30%	45,226	261,351,817	12,663,280	4.85%

Source: The Brookings Institution. <http://www.brookings.edu/projects/EITC.aspx>

* Calculations by WVCBP.