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## Low Wage West Virginians Lose Millions In Refund Anticipation Loans

CHARLESTON, W.Va. - So-called refund anticipation loans work like payday loans, but are based on expected tax refund checks from Uncle Sam. Non-profit groups studying Internal Revenue Service figures say tax preparation companies charge low-income West Virginia families millions in fees for such loans.

Teresa Warnick, with the group *Friends In Action Of The Eastern Panhandle*, says it's worth considering what West Virginia residents spent to get their refunds a few weeks, or even just a few days, early for the 2006 tax year.

"Over 18 million dollars went out of the state of West Virginia in one year that could have stayed here and helped those families."

Wealthy workers can take out such loans as well, but according to a report just prepared by the *West Virginia Center on Budget and Policy*, two-thirds of the fees are paid by lower-income residents. Tax preparation companies defend the loans as making it possible for people who need it get their money faster, but Warnick says that with direct deposit people can get their refund money from the IRS in as little as ten days, for free.

She says if the fees for the loans were treated as interest, they would be so high they would be illegal.

"What would it be in terms of the annual percentage rate for a loan? That's between 77 percent and 140 percent, and that's usury."

The West Virginia legislature could consider a bill to tighten disclosure rules, making it clear how much the loans cost, and making sure people know they can get tax help for free.

The *West Virginia Center On Budget & Policy* report is available on their Web site at:

[www.wvpolicy.org](http://www.wvpolicy.org)

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