

Don't Pay to Borrow Your Own Money ! Beware of Tax Preparers Offering Holiday & Pay Stub Loans

Tax season has not even begun, but advertisements from tax preparers are popping up all over Philadelphia – and across the nation - promising you quick cash and a jump on your tax refund. What they actually are offering you is a bad and risky deal. Customers should beware.

The promised cash is an expensive loan that will need to be paid back by mid-February. These loans are called “holiday” or “pay stub” loans because they are based on your estimated tax refund, calculated from your pay stub. Tax prep companies offer these loans before you receive your W-2 from your employer. Yet that W-2 is necessary to file your tax return.

Stay away from tax preparers offering holiday or pay stub loans. Here's why:

Holiday and Pay Stub Loans are Expensive.

The loans have very high fees. Some companies may charge you interest as high as 300% per year. The loan also may require you to come back to the tax preparer to get your taxes done and to repay the loan. Tax prep companies can charge you hundreds of dollars in fees for doing your taxes, but there are sites all over the City of Philadelphia where you can get your taxes done for free.

Holiday and Pay Stub Loans are Risky.

The loans are based on your estimated tax refund, not what you actually will get back. And they are made before the IRS has released information about whether your tax refund will be seized to pay back a prior tax debt, child support, or delinquent student loans. If you take out a loan and your tax refund is lower than what you were expecting, you will still need to pay back the loan in full.

Instead of a Holiday or Pay Stub Loan, Get your Tax Refund Fast and Free.

The Campaign for Working Families will prepare and e-file your taxes for free as of January 17, 2007. Once filed, you can get your tax refund back as quickly as 8-10 days. Visit www.phillyfreetaxes.org (anytime) or call 215-686-2599 (phone line updated after January 8) for the tax site near you.

Get Help.

If you have taken out a holiday, pay stub loan or tax refund loan (RAL), contact Community Legal Services (CLS) for legal advice. Call 215-227-2400, or come to 3638 N. Broad (Broad & Erie) Monday, Wednesday, or Friday from 9:00 am to 12:00 p.m.