Avoiding the Pitfalls of Refund Anticipation Loans in New York

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Executive Summary

Tax preparation fees, Refund Anticipation Loans (RALs) and other commercial products siphon money from families that need money the most. In New York, according to data from the Internal Revenue Service (IRS) for tax year 2006:

- 1.5 million lower-income taxpayers received the Earned Income Tax Credit (EITC), but those who paid for tax preparation, RALs and other commercial products lost $199.5 million of their EITC benefits;
- Tax preparation fees alone drained nearly $165.6 million in EITC benefits from the pockets of working families and individuals;
- RAL fees totaled a $25.9 million loss in EITC benefits;
- An estimated 259,000 EITC recipients—18.9 percent—purchased RALs compared to only 3 percent of non-EITC filers who took out RALs;
- The typical EITC recipient who paid tax preparation and RAL fees lost 8.13 percent of his or her federal refund; and
- Refund Anticipation Checks (RACs) alone drained $8 million from EITC benefits.

To maximize EITC benefits by reducing RAL usage, the Children's Defense Fund – New York recommends the following key measures:

- Expand access to free tax assistance;
- Strengthen consumer protections;
- Connect working families to mainstream financial institutions; and
- Institute more local EITCs statewide.

The EITC Gives Working Families a Financial Boost

This tax season, the Earned Income Tax Credit will benefit millions of low- and modest-income working families by supplementing their earnings and helping them make ends meet during this severe economic downturn. The EITC is a refundable federal tax credit for low- and modest-income workers, also available for the state and city of New York. Over the years it has helped to lift more children out of poverty than any other anti-poverty program.[1] With a growing number of working families struggling against the rapid downturn in the economy, taking full advantage of the EITC could mean the difference between a family being able to pay the rent or having to stay at a homeless shelter. According to data from the Internal Revenue Service, in New York, 1.5 million taxpayers received the EITC in the 2006 tax year, but those who paid for tax preparation, RALs and other commercial products lost $199.5 million of their EITC benefits.[2] It is important that we work together to help families keep all of their earned benefits from the EITC this year.

More than 844,000 children in New York, almost one in five, are poor, and that number is bound to rise as a result of the current recession.[3] According to the most recent estimate, the EITC temporarily lifted 4.4 million Americans above the federal poverty line, including 2.4 million children in 2003. Without the income supplement that the EITC provides, it is estimated that the child poverty rate would be one-fourth higher.[4] Additionally, the EITC can have other benefits beyond family economic security. According to a discussion paper from the Institute for Research on Poverty, the EITC significantly improves children's academic achievement and is found to be especially beneficial to children from disadvantaged families. It can also have a significant positive impact on the economy of the community as a whole.

While filing taxes can be difficult to do alone and expensive for many families that use commercial tax preparers, the growth of free tax preparation sites in recent years now gives taxpayers more options. These sites offer electronic filing and direct deposit of refunds, allowing taxpayers to get their money in two weeks or less without any unnecessary fees. With the money saved, families can pay bills, purchase needed household items and contribute to their savings. Helping families keep their earned benefits is particularly important now as families struggle more than ever to meet their basic needs.

Especially during this tax season, it is essential that already financially strapped families fully benefit from the EITC. The stakes are extremely high. The EITC can substantially supplement earnings with these maximum benefit levels for tax year 2008:

How many children did the worker claim in 2008?	Maximum Income	Maximum Combined Federal and State EITC Refund	Maximum Combined Federal, State and New York City EITC Refund
2 or more children	$38,646 *(single)* $41, 646 *(married filing jointly)*	$6,271	$6,512
1 child	$33,995 *(single)* $36,995 *(married filing jointly)*	$3,792	$3,938
No children *(worker must be between 25 & 64 years of age)*	$12,880 *(single)* $15,880 *(married filing jointly)*	$569	$591

Non-custodial parents who may not be eligible for the traditional EITC could be eligible for the New York State noncustodial parent EITC. This tax credit benefits non-custodial parents who pay 100 percent of court-ordered child support. According to the New York State Department of Taxation and Finance, the average noncustodial parent EITC award is approximately $400.

Many working families that receive the EITC are also eligible for additional tax credits. The federal and Empire State Child Tax Credit—income supplements for families with children—can result in a family receiving as much as $1,330 for each child claimed. Families that pay for child care can be eligible for up to $4,410 through the federal and state Child and Dependent Care Credits and up to $1,733 through the New York City Child Care Credit.

Nationwide, more than 22 million taxpayers received the EITC for the 2006 tax year. In New York, 1.5 million taxpayers received the EITC for the 2006 tax year, with an average federal benefit amount of $1,900. The New York State EITC, which is approximately 30 percent of the federal award could increase New Yorkers' average EITC benefit to $2,470. The New York City EITC provides its residents with an extra 5 percent, which could further drive up their average EITC benefit to $2,565. A total of $43.7 billion in federal funds was invested in low- and modest-income families with children (as well as some childless adults) nationwide in the 2006 tax year. This includes $2.8 billion in federal EITC refunds to New York State recipients alone.

Benefits of the EITC Beyond Individual and Family Income

Research has shown that the EITC improves the well-being of children and their families—including increased academic achievement among children and a more stable home environment. Families often use their EITC awards to provide food, clothes, books, shelter and other items that may contribute to a child's development and may improve academic achievement. According to a recent study, increased family income from the EITC significantly increases children's math and reading test scores. This is found to be especially true for the most disadvantaged families and for families with younger children. According to the authors, the EITC can raise the future earnings of children whose families benefit from the EITC by as much as 1 to 2 percent.[5] Tax benefits directed to families with children may also improve children's well-being by reducing stress and conflict and improving the psychological well-being of the entire family. Recent research finds that child tax benefits improve several indicators of emotional and behavioral well-being for children and their mothers—especially physical aggression and maternal depression.[6]

The financial benefit of the EITC extends beyond enhancing the income and well-being of lower-wage, working families and their children. The EITC also infuses substantial money into the local economy.[7] One survey in North Carolina has shown that most EITC recipients use their refunds to meet short- to average-term needs such as catching up on rent and utility bills, repairing cars and purchasing clothes for their children.[8] An analysis by researchers in San Antonio, Texas, concluded that increasing the number of EITC claims would be highly beneficial, with each additional dollar received generating roughly $1.58 in local economic activity.[9] Another study found that in Baltimore, Maryland, the additional spending from the EITC in the 2002 tax year generated almost $600,000 in local income and property tax revenues.[10] These multiplier effects in state and local economies indicate that the EITC is important to community growth and productivity and even more crucial during a recession.

Billions Lost Annually in EITC Benefits for Working Families

Increased education and advocacy to expand awareness of the EITC and promote its greater use have encouraged millions of working families to claim essential benefits they have earned. However, the full potential of the EITC to decrease poverty has not been attained. For tax year 2006, tax preparation fees, RALs and other commercial products diverted a total of $3.1 billion in EITC benefits from workers and their families nationwide. These fees drained $199.5 million from the pockets of EITC recipients in New York. Figure 1 highlights the losses in urban areas in New York with the highest number of returns filed in tax year 2006.

Figure 1: Total Dollars Lost to Tax Preparation Fees, Refund Anticipation Loans (RALs) and Refund Anticipation Checks (RACs) in New York Cities with the Highest Number of Returns Filed, Tax Year 2006

City	Number of tax returns	Number of EITC tax returns	% of EITC returns using paid preparers	% of EITC returns with a RAL*	Dollars lost to tax preparation, RALs and RACs**
New York	3,541,431	840,475	77.4%	16.1%	**$114,708,780**
Buffalo	102,536	30,784	72.6%	34.0%	**$4,590,000**
Rochester	99,108	23,702	66.6%	30.1%	**$3,220,860**
Yonkers	78,712	15,436	84.2%	26.4%	**$2,447,910**
Schenectady	76,244	10,731	70.9%	27.6%	**$1,489,500**
Syracuse	73,779	15,807	71.3%	29.3%	**$2,245,890**
Albany	69,389	11,267	68.2%	32.9%	**$1,580,700**
Greece	39,896	5,769	62.1%	19.6%	**$678,300**
Poughkeepsie	37,280	5,029	72.4%	28.7%	**$714,000**
White Plains	35,321	3,113	73.3%	15.7%	**$400,980**
New York State	**8,681,944**	**1,487,516**	**74.2%**	**18.9%**	**$199,525,650**
United States	**134,381,430**	**22,401,882**	**70.3%**	**26.9%**	**$3,056,781,240**

SOURCE: Internal Revenue Service SPEC Information Database, Tax Year 2006 (December 2008). CDF calculations.
Notes: *Of those who receive a refund
****Calculated based on a $150 average tax preparation fee, a $100 average RAL cost and a $30 average RAC cost.**

Three major factors account for this drain on EITC funds:

- **Tax preparation fees.** For millions of tax filers, the complexity of tax laws and the time required tocompile necessary documentation to prepare and file tax returns often seem onerous. As a result, a significant portion of U.S. tax filers turn to commercial tax preparation services and private tax consultants to prepare their federal and state tax returns. This is especially the case among EITC recipients, who typically pay about $150 to have their taxes prepared.[11] (The national average tax preparation fee of $150 was used for comparison purposes between states.) For tax year 2006, 70 percent of EITC recipients in the United States paid to have their returns completed professionally, compared to 51 percent of non-EITC recipients. Nationwide, tax preparation fees drained nearly $2.4 billion in EITC benefits from the pockets of families and individuals and $165.6 million in New York alone.

- **Refund Anticipation Loans.** Refund Anticipation Loans, often called "rapid refunds," are high-risk, high-cost, short-term loans taken out against a taxpayer's expected refund. Taxpayers who take out RALs often cite the expediency of the loan and the fact that they do not have to pay tax preparation fees before receiving their loan as major factors in their decision to take out a RAL. EITC recipients are more likely than other tax refund recipients to accelerate receipt of their tax refunds. In fact, they are more than six times as likely to secure a Refund Anticipation Loan as taxpayers who did not file for that credit. An estimated 259,000 EITC recipients in New York—18.9 percent—purchased RALs for the 2006 tax year. This contrasted with only 3 percent of non-EITC filers that same year who took out RALs.

  This wide disparity is attributable in part to the aggressive marketing of RALs to the working poor and minorities within their communities. Black and Latino taxpayers disproportionately take out RALs, and Native American reservations also have high concentrations of these loans.[12] RALs are frequently offered in locations not typically used for financial services, including auto dealerships, pawn shops and rent-to-own stores. Documented marketing techniques include targeting tax filers to use their loan toward a down payment on a car or to purchase items in the store.[13]

  These short-term loans used *to borrow a filer's own money* can have effective annual interest rates (APRs) ranging from about 50 percent to almost 500 percent.[14] They can end up costing the working poor a sizeable portion of their refunds. Unfortunately, it is those workers who most need their hard-earned income who are often sold short-term, expensive RALs.

  In tax year 2006, for example, a taxpayer purchasing a RAL typically paid $100 solely to get his or her refund the same day or within a few days, as most RALs offer. In New York, RAL fees totaled a $25.9 million loss in EITC benefits. Combining the costs of tax preparation and RAL fees, the typical EITC recipient in the United States who obtains a RAL loses an estimated 7.8 percent of his or her federal refund. The typical New York EITC recipient who pays tax preparation and RAL fees loses 8.13 percent of his or her federal refund.

  The extent of RAL usage among EITC recipients remained steady between tax years 2005 and 2006. However, there have been several recent developments in RAL marketing and regulation—both positive and negative. While "pay stub" or "holiday" RALs, which pose additional costs and risks to taxpayers, were almost entirely eliminated during the 2008 tax season due to pressure from community groups and consumer advocates, they have returned among some of the biggest RAL vendors.[15] These RALs are available to taxpayers prior to receiving their W-2s and are taken out against their expected refund. On the positive side, there have been some recent checks imposed on RALs. The IRS announced it was considering restricting the sharing of tax return information with those who market RALs and other financial products sold to access tax refunds. Additionally, interest rates and fees on RALs for members of the military were capped at a maximum APR of 36 percent.

- **Other products and fees.** There are also EITC recipients who purchase other types of financial products to access their refunds. For example, data from the IRS reveal that for tax year 2006 an estimated 18.7 percent of the EITC recipients nationwide received a Refund Anticipation Check (RAC)—a non-loan financial product in which an account is temporarily opened for taxpayers to receive their refund even though they do not receive their refund any sooner than the IRS sends it. The RACs alone drained $120 million from EITC benefits nationwide, including $8 million in New York alone. Additional fees associated with RALs and RACs—such as application and administrative fees—also sap millions from the refunds of EITC recipients.

Consumer Protections Are Needed More Than Ever

Though the data used for this report is the latest available, it is important to note it refers to tax year 2006—before the nationwide economic downturn. In 2009, families adversely impacted by the recession need their refunds more quickly than ever. We can only presume that when data for tax year 2009 is available, they may show increased RAL usage as families face an urgent need for fast money during an economic crisis.

Consider the story of Mabel Pichardo. Mabel is self-employed, earned approximately $31,000 last year and lives with her two young children in upper Manhattan's Washington Heights. She makes ends meet through freelance jobs in office decoration, massage therapy and cosmetic applications. Last year, she had her tax returns prepared for free at the nonprofit Northern Manhattan Improvement Corporation. She said the workers were very nice and helpful and that she often referred her friends and co-workers to the site. This year, however, a personal financial emergency caused Mabel to go to a commercial preparer and purchase a RAL. Rapid Center, a tax preparation business in the Bronx, charged Mabel $160 for tax preparation plus $150 for a RAL. She knew it was a loan but was facing eviction and didn't have many choices. Even though Mabel has a bank account and had been using direct deposit, she said she couldn't wait the two weeks for her refund. Mabel used most of her $4,480 refund to pay past-due rent to her landlord. The remainder went to catch up on bills and purchase food for her family.

Mabel's story points to the urgent need for consumer protections that benefit financially strapped families. If RAL interest rates were capped, Mabel would not have paid such a high RAL fee and could have used the money saved to provide food for her children, pay bills or start an emergency fund. It is urgent that community leaders take action now to protect consumers in the throes of an economic crisis that will likely cause more lower-income families to seek expensive, short-term options to their financial woes.

Recommendations to Maximize EITC Benefits for Working Families

While millions of families and individuals across the country have benefited immensely from the EITC, these same taxpayers lost an estimated total of $3.1 billion in fees from commercial tax preparation, RALs and other products used to access tax refunds for tax year 2006 alone. Government officials and community leaders need to enact or implement policies to mitigate the effect of RALs and costly tax preparation fees on lower-income communities. These efforts are especially important during the current economic downturn as lower-income families are struggling more than ever.

To maximize EITC benefits by reducing RAL usage, the Children's Defense Fund – New York recommends the following key measures:

1. **Expand access to free tax assistance.** A substantial share of taxpayers nationwide pay to have their taxes completed and filed. Yet alternatives have emerged to reduce the cost of tax filing for lower-income individuals and families. The most important of these are free tax preparation sites—particularly Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs, which helped more than three million taxpayers for tax year 2007.[16] These sites

typically offer electronic filing and direct deposit of refunds, allowing taxpayers to receive their money in two weeks or less without any fees. With the money saved, families can enhance their own financial stability by paying bills, purchasing needed household items and/or increasing savings. It is essential that elected officials and community leaders find ways to build and maintain free tax preparation networks across the country by investing through increased funding and outreach in the VITA and TCE programs and other free tax assistance centers.

2. **Strengthen consumer protections.** During recent sessions of Congress, EITC and RAL legislation has failed to gain solid traction. Meanwhile, low-income families continue to lose significant portions of their intended EITC benefits. In 2008, a law passed in New York State requiring most commercial tax preparers to provide tax filers with disclosures regarding RALs and tax preparation. This is a step in the right direction, but disclosures are not enough to protect lower-income families from predatory loans. This year, lawmakers must take action to adopt policies that protect consumers. These include establishing licensing requirements for commercial tax preparers and capping interest rates and fees that banks can charge for RALs. Additionally, the IRS and New York State Department of Taxation and Finance should shorten the refund turnaround time so that workers are less likely to request a RAL in order to receive their refunds more quickly.

3. **Connect working families to mainstream financial services.** A national priority should be to improve the financial literacy of low-income families so they can build a stronger financial future for themselves, their children and the communities where they live. Free or low-cost checking and savings accounts, credit counseling opportunities and financial education programs offer working families important tools to forge and secure a more stable financial future. Public-private partnerships should be promoted and established to ensure that working families have easy access to these resources throughout the year and not just during tax season.

4. **Institute more local EITCs statewide.** Since the vast majority of poor children live in families with a working parent, the institution of local EITCs nationwide could further supplement wages and help lift New York's most vulnerable families out of poverty. New York City is the only municipality in the state that offers a local Earned Income Tax Credit.

Step Up and Take Action

Now is the time to step up and take action to ensure that families in your community claim and keep all of the tax benefits they have earned to help them weather this recession.

- Volunteer at a free tax preparation site to help lower-income families access the tax benefits they qualify for and avoid costly tax preparation fees.

- Work with a local bank representative or community-based organization to host financial workshops for lower-income families to provide them with the knowledge and tools necessary to build a better financial future. Increasing the financial literacy of families will connect them to mainstream financial services and help them make more informed financial decisions.

- Call or write your member of Congress and tell him or her to enact legislation that caps interest rates and fees on RALs. If you live in a municipality without a local EITC, contact your local lawmakers and tell them to institute a local EITC.

- Connect families in your community with resources that can help them climb the economic ladder. Do your part to help your neighbors protect their assets. Reach out to working parents to let them know about local free tax preparation sites and financial education opportunities as well as additional community supports (such as housing, workforce development, child care or foreclosure prevention programs). The problems can be solved if everyone does his or her part.

Figure 2: New York Counties with the Highest Number of Total Returns Filed, Tax Year 2006

County	Number of tax Returns	Number of EITC tax returns	% of EITC returns using paid preparers	% of EITC returns with a RAL*	Dollars lost to tax preparation, RALs and RACs**
Kings	1,003,236	274,663	74.5%	14.1%	**$35,898,210**
Queens	961,159	206,162	78.7%	10.8%	**$27,000,870**
New York	818,906	132,223	75.7%	17.2%	**$17,709,900**
Suffolk	700,027	70,407	77.7%	18.5%	**$9,715,080**
Nassau	657,136	57,707	78.4%	15.3%	**$7,845,870**
Bronx	555,523	201,856	81.2%	23.3%	**$30,656,100**
Westchester	444,897	43,544	79.1%	20.1%	**$6,226,650**
Erie	426,813	59,842	69.4%	24.4%	**$7,961,820**
Monroe	346,033	49,997	64.6%	24.0%	**$6,293,430**
Onondaga	214,260	31,154	68.6%	23.9%	**$4,097,610**
Richmond	199,374	24,820	77.3%	13.7%	**$3,347,640**
Orange	160,700	19,701	70.5%	21.4%	**$2,587,920**
Albany	135,439	17,254	67.0%	29.7%	**$2,329,410**
Rockland	133,745	14,492	68.2%	15.4%	**$1,735,050**
Dutchess	132,761	12,467	70.7%	20.6%	**$1,625,130**
Oneida	104,401	17,324	63.7%	24.5%	**$2,154,420**
Saratoga	102,711	9,467	62.8%	23.1%	**$1,141,590**
Niagara	101,571	14,742	71.7%	24.7%	**$2,009,700**
Broome	92,983	14,345	60.0%	23.3%	**$1,688,070**
Ulster	83,094	11,015	70.7%	20.0%	**$1,423,380**
Schenectady	81,104	11,168	70.6%	27.3%	**$1,540,890**
Rensselaer	75,609	9,806	68.1%	29.8%	**$1,337,490**
Chautauqua	59,339	10,736	66.5%	24.3%	**$1,371,570**
Oswego	53,759	9,452	69.7%	25.9%	**$1,268,250**
Jefferson	49,150	10,832	63.2%	23.6%	**$1,332,900**
New York State	**8,681,944**	**1,487,516**	**74.2%**	**18.9%**	**$199,525,650**
United States	**134,381,430**	**22,401,882**	**70.3%**	**26.9%**	**$3,056,781,240**

SOURCE: Internal Revenue Service SPEC Information Database, Tax Year 2006 (December 2008). CDF calculations.
Notes: *Of those who receive a refund
****Calculated based on a $150 average tax preparation fee, a $100 average RAL cost and a $30 average RAC cost.**

Figure 3: New York Counties with the Highest Percentage of EITC Returns with a Refund Anticipation Loan (RAL), Tax Year 2006

County	Number of tax returns	Number of EITC tax returns	% of EITC returns using paid preparers	% of EITC returns with a RAL*	Dollars lost to tax preparation, RALs and RACs**
Fulton	23,104	4,419	73.7%	**32.1%**	$650,430
Rensselaer	75,609	9,806	68.1%	**29.8%**	$1,337,490
Albany	135,439	17,254	67.0%	**29.7%**	$2,329,410
Montgomery	27,062	4,930	73.8%	**29.2%**	$715,440
Washington	28,497	4,784	67.5%	**27.7%**	$629,970
Cortland	20,323	3,481	68.0%	**27.7%**	$465,120
Schenectady	81,104	11,168	70.6%	**27.3%**	$1,540,890
Chemung	38,638	6,775	61.8%	**27.2%**	$840,660
Oswego	53,759	9,452	69.7%	**25.9%**	$1,268,250
Schuyler	8,574	1,462	62.7%	**25.3%**	$180,090
Seneca	13,976	2,221	64.9%	**25.2%**	$279,630
Sullivan	34,117	6,191	76.3%	**25.2%**	$894,900
Warren	33,038	4,554	64.2%	**25.1%**	$567,270
Yates	11,153	1,863	64.5%	**25.1%**	$232,170
Madison	29,669	4,378	68.0%	**24.9%**	$569,040
Cayuga	34,326	5,481	68.7%	**24.7%**	$720,930
Niagara	101,571	14,742	71.7%	**24.7%**	$2,009,700
Wayne	45,099	6,671	67.4%	**24.7%**	$862,410
Oneida	104,401	17,324	63.7%	**24.5%**	$2,154,420
Erie	426,813	59,842	69.4%	**24.4%**	$7,961,820
Saint Lawrence	43,199	7,975	63.5%	**24.4%**	$980,970
Chenango	23,694	4,449	67.0%	**24.3%**	$567,840
Chautauqua	59,339	10,736	66.5%	**24.3%**	$1,371,570
Monroe	346,033	49,997	64.6%	**24.0%**	$6,293,430
Onondaga	214,260	31,154	68.6%	**23.9%**	$4,097,610
New York State	**8,681,944**	**1,487,516**	**74.2%**	**18.9%**	**$199,525,650**
United States	**134,381,430**	**22,401,882**	**70.3%**	**26.9%**	**$3,056,781,240**

SOURCE: Internal Revenue Service SPEC Information Database, Tax Year 2006 (December 2008). CDF calculations.
Notes: *Of those who receive a refund
****Calculated based on a $150 average tax preparation fee, a $100 average RAL costs and a $30 average RAC cost.**

Figure 4: Dollars Lost to Tax Preparation Fees, Refund Anticipation Loans (RALs) and Refund Anticipation Checks (RACs) by State, Tax Year 2006

State	Number of tax returns	Number of EITC tax returns	% of EITC returns using paid preparers	% of EITC returns with a RAL*	Dollars lost to tax preparation, RALs and RACs**
Alabama	1,961,713	498,995	77.0%	40.7%	$80,421,690
Alaska	325,655	40,049	53.6%	21.6%	$4,237,560
Arizona	2,488,769	410,324	68.6%	24.4%	$54,270,060
Arkansas	1,156,418	282,972	76.6%	38.8%	$44,532,360
California	15,238,900	2,391,365	76.1%	17.3%	$322,680,750
Colorado	2,155,959	268,516	62.2%	19.7%	$31,338,060
Connecticut	1,672,928	171,742	66.1%	22.1%	$21,541,770
Delaware	401,147	58,909	59.9%	25.9%	$7,132,020
District of Columbia	275,690	46,927	68.8%	32.5%	$6,624,600
Florida	8,316,250	1,600,980	70.0%	25.6%	$216,062,400
Georgia	3,968,790	909,995	74.0%	36.0%	$138,888,540
Hawaii	616,578	85,385	62.4%	18.5%	$9,882,960
Idaho	623,011	103,332	59.8%	17.0%	$11,391,000
Illinois	5,815,120	870,335	70.5%	25.9%	$118,609,950
Indiana	2,901,418	449,988	67.9%	31.3%	$61,734,870
Iowa	1,354,604	177,343	70.7%	20.3%	$22,923,150
Kansas	1,252,908	177,822	66.0%	23.3%	$22,475,370
Kentucky	1,783,947	353,631	74.8%	33.8%	$52,713,690
Louisiana	1,800,219	496,041	74.6%	38.1%	$77,392,500
Maine	623,264	87,815	57.3%	18.0%	$9,376,680
Maryland	2,619,686	341,385	65.4%	23.3%	$43,173,660
Massachusetts	3,069,471	315,298	64.5%	15.4%	$36,439,200
Michigan	4,514,689	677,552	68.0%	24.6%	$88,741,320
Minnesota	2,504,244	272,832	63.5%	15.3%	$30,902,670
Mississippi	1,182,057	380,644	75.1%	43.6%	$61,350,990
Missouri	2,655,791	450,246	69.5%	28.6%	$61,461,330
Montana	455,237	72,072	64.8%	22.6%	$8,809,380
Nebraska	813,549	112,214	65.7%	19.9%	$13,702,800
Nevada	1,148,747	168,084	72.3%	30.3%	$23,991,090
New Hampshire	648,752	63,298	58.7%	19.3%	$6,985,860
New Jersey	4,102,070	485,935	76.4%	23.4%	$69,202,500
New Mexico	860,694	195,276	65.5%	22.4%	$24,426,570
New York	**8,681,944**	**1,487,516**	**74.2%**	**18.9%**	**$199,525,650**
North Carolina	3,893,599	784,179	73.1%	37.1%	$118,374,690
North Dakota	309,886	39,565	64.3%	21.1%	$4,720,620
Ohio	5,414,059	816,699	63.6%	29.4%	$105,183,600
Oklahoma	1,497,944	309,797	68.8%	31.4%	$42,860,370
Oregon	1,636,795	225,257	54.5%	17.1%	$23,028,270
Pennsylvania	5,940,230	796,141	64.7%	22.6%	$98,789,010
Puerto Rico	276,442	2,282	58.4%	20.7%	$255,060
Rhode Island	504,040	67,382	73.8%	22.3%	$9,288,360
South Carolina	1,900,742	437,209	77.4%	41.2%	$70,560,750
South Dakota	372,068	56,154	69.4%	28.5%	$7,554,660
Tennessee	2,678,708	567,251	73.0%	37.4%	$85,135,950
Texas	9,824,355	2,247,543	72.1%	31.2%	$325,669,770
Utah	1,041,765	140,614	59.1%	16.4%	$15,298,890
Vermont	314,853	38,397	58.3%	15.1%	$4,034,580
Virginia	3,504,003	495,705	65.0%	27.9%	$64,029,180
Washington	2,922,927	354,415	57.2%	21.0%	$39,026,310
West Virginia	762,663	145,456	62.4%	29.4%	$18,366,360
Wisconsin	2,691,212	311,945	63.9%	17.7%	$36,577,860
Wyoming	252,593	31,757	62.9%	23.6%	$3,843,090
United States	**134,381,430**	**22,401,882**	**70.3%**	**26.9%**	**$3,056,781,240**

SOURCE: Internal Revenue Service SPEC Information Database, Tax Year 2006 (December 2008). CDF calculations.
Notes: *Of those who receive a refund
****Calculated based on a $150 average tax preparation fee, a $100 average RAL cost and a $30 average RAC cost.**

SOURCES:

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[2] IRS SPEC Return Information Database, Tax Year 2006 (December 2008). All figures contained in this report have been retrieved from the 2006 SPEC database unless otherwise noted. Calculations by CDF. Note that tax returns for tax year 2006 occurred in calendar year 2007.
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[16] Treasury Inspector General for Tax Administration, *Many Taxpayers Who Obtain Refund Anticipation Loans Could Benefit from Free Tax Preparation Services,* August 2008.