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"Anticipating" Your IRS Refund Can Cost You Plenty

By James H. Dimmitt

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While accountants are reaching for aspirin, millions of Americans are reaching for some fast cash this tax season. Unfortunately, those who reach for fast cash in the form of a "refund anticipation loan" are getting hit with interest rates and fees that are out of this world.

The tempting ads are plastered in newspapers and on television for "fast cash refunds", "express refunds", or "instant refunds." The ads offer to get your refund in a day or two, or in some cases even instantly.

What is a "refund anticipation loan"? It's a loan that borrows against your anticipated tax refund from the IRS. Refund anticipation loans, or RAL's as they are known in the tax industry, carry annual percentage rates (APR's) of about 60% to over 700%, a fact that many consumers either don't realize or simply overlook.

RAL's are marketed to people who need money the most such as low and moderate income workers. A report by the National Consumer Law Center notes that "about 40% of the 12 million refund loan customers in 2000, were families who received the Earned Income Tax Credit, the largest federal poverty assistance program." And since the RAL's often use the term "refund" in their ads, many of those who take the bait don't realize that they're receiving a loan and not their actual refund from the IRS.

The fees associated with RAL's are expensive. For example, let's say the IRS owes you a refund of \$2,000. In order to get a RAL you pay the following: RAL loan fee = \$75, Electronic filing fee = \$40, tax preparer's fee = \$100. Total fees associated with your RAL = \$215 which is more than 10 percent of your estimated refund. The APR on your refund loan equals a whopping 142 percent!

Many low and moderate income workers are without bank accounts and wind up paying an additional fee to set up a one-time-use account so that their IRS refund can be direct deposited.

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Before giving in to the temptations of refund anticipation loans, ask yourself if you really need your money that quickly. If you can wait just a bit longer for your refund you'll line your own pockets with extra cash rather than forking it over to a RAL lender.

A great way to save money at tax time is to go to a Volunteer Income Tax Assistance (VITA) site. VITA sites provide free tax preparation to low and moderate income taxpayers and are sponsored by the IRS. They can be found in libraries, community centers and other locations during the tax season. To find a VITA site call the IRS general help line at 1-800-TAX-1040 or visit www.tax-coalition.org.

James H. Dimmitt

James is editor of "TO YOUR CREDIT", a weekly free newsletter with personal finance news and tips. You can subscribe to the newsletter by visiting

. He is also

author of "Identity Theft – How to Avoid Becoming the Next Victim!" available at

How to Check the Status of Your Tax Refund Online

By Richard A. Chapo

So, you were pleasantly surprised to learn that you are getting a refund on your taxes. Congratulations! The IRS expects to issue approximately \$54 billion dollars in refunds for the 2003 tax year. The question for most taxpayers expecting a return is, "Where is my refund?"

Check Your Refund Status Online

The easiest way to check on your refund is to ask the IRS through IRS.gov. On the home page of the site, you will see a "Where's My Refund?" link. Using the service is fairly easy. You will need a copy of your tax return to provide the necessary information to get the status of your refund. Specifically, you need to provide your social security number, you tax filing status and the exact amount of your refund. The reason the IRS requires all of this information is purely for security purposes, to wit, the agency wants to make sure it is giving access only to the taxpayer. Again, all of this information should be on your return. If it is not, something is very wrong!

Once you submit the required information, the IRS will provide online results typically showing:

1. That the return was received and is in processing;
2. The expected mailing date or direct deposit date of your refund; or
3. Whether your refund could not be issued because of a delivery problem.

In some cases, the results may alert you to the fact that the IRS is reviewing your tax return because of

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errors or questionable entries. In such a case, it is highly advised that you review your return with a qualified tax professional and make absolutely sure that the return will stand up to scrutiny.

How Long Do You Have To Wait Before Checking?

If you filed your tax return electronically, you should be able to access the status of your refund within 48 to 72 hours. Since the return is coming into the database electronically, it should be assimilated into the system fairly quickly. If you do not file your return electronically, you are going to have to wait three weeks or more before the status of your return can be checked. As you can imagine, the IRS is receiving an enormous amount of paper tax returns and it takes time to organize and enter the returns into the system.

How Long Should It Take To Receive Your Tax Refund?

If you are expecting a refund, the time to issue the refund will depend upon how you filed your return. If you filed a paper return via regular mail, your refund should be issued in six to eight weeks from the date it was received by the IRS. Alternatively, if you filed your return electronically, you should expect to receive your refund in three to four weeks. If you elected to have your refund directly deposited in

your banking account, you should take one week off of the above estimates.

Richard Chapo is President of BusinessTaxRecovery.com. Visit

to

subscribe to a free newsletter offering monthly tax deduction tips for small businesses or contact Richard at

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