

Taxpayers to learn fees under bill

Targeting preparers, it is sent to House

BY SETH BLOMELEY ARKANSAS DEMOCRAT-GAZETTE

A bill aimed at helping make income tax payers more aware of fees that some preparation services charge cleared a state House of Representatives committee on Friday.

House Bill 2203 by Rep. Darrin Williams, D-Little Rock, goes to the House after being recommended by the Insurance and Commerce Committee.

Williams said his bill mostly targets “fly-by-night guys that pop up” and prey on low-income tax filers, who sometimes can’t read.

“When I researched this bill, I sent my legislative assistant to five different [tax service] businesses in my district,” Williams said.

“He said, ‘What is it going to cost to get my taxes done?’ Nobody could tell him. This is a disclosure bill. I’m not trying to stop the businesses, but I want to make sure people know what they are getting into.”

He said he got the idea for the bill driving along Geyer Springs Road in his district where he saw several businesses advertising tax services. He said the Southern Good Faith Fund and the attorney general’s office helped him with the bill.

“This is for the working poor who need all of their refund,” said Williams, a former chief deputy attorney general.

He said the Arkansas Bankers Association, H&R Block and Arkansas Advocates for Children and Families also support the bill.

No one spoke against it and no one on the committee raised objections.

He said some businesses steer taxpayers to a “refund anticipation loan” where the refund is given in advance to the taxpayer by the business, which then files the tax return.

The business keep a portion of the refund as a fee, which in effect becomes a “triple-digit” interest rate, Williams said.

“This is in addition to the tax preparation fees, which are legitimate, but this bill will prohibit add-on fees,” he said.

Sometimes, consumers end up owing the business several hundred dollars because the refund turned out to be less than the business estimated.

The bill mandates that fees must be disclosed on color paper in 14-point type, large enough to be easily read by the elderly. It also requires “oral disclosure” of fees.

Violators would be subject to a \$1,000 civil penalty and investigation by the attorney general’s office, he said.

Arkansas also has the nation’s seventh-highest percentage of low-income tax returns in which the taxpayer requests a refund anticipation loan, according to the Southern Good Faith Fund report based on 2005 Internal Revenue Service tax return data.

Southern Good Faith Fund, a non-profit organization and an affiliate of Southern Bancorp Inc., focuses on helping improve the finances of the poor.