

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 040042)

RESOLUTION

Calling on the Pennsylvania Attorney General, the Secretary of Banking and the General Assembly to carefully scrutinize the conduct of tax preparers in connection with Refund Anticipation Loans (“RALs”), and to take appropriate action to ensure that these business practices are consistent with State law.

WHEREAS, Refund Anticipation Loans (“RALs”) or “Rapid Refunds” cost consumers well over a billion dollars in 2002; and

WHEREAS, Increasing numbers of families claiming the federal Earned Income Tax Credit (“EITC”) lose some portion of their EITC to high cost RAL loans every year; and

WHEREAS, RALs siphon large sums of dollars from the tax refunds of Philadelphia taxpayers, especially low and moderate income households, which can least afford to lose these dollars; and

WHEREAS, Annual Percentage Rates (“APR”) on these loans typically range from 97 to 800 percent; and

WHEREAS, These products result in families being charged \$100 - \$200 dollars, and sometimes more, to prepare their taxes and receive their refunds. However, these families could make a free electronic filing at one of the many Volunteer Income Tax Assistance (“VITA”) program sites; and

WHEREAS, Most RAL providers do not prominently disclose the fees they charge to process RALs, loan rates for RALs, the fact that RALs are loans, or other fees they charge for tax preparation services; and

WHEREAS, These are dollars lost to Philadelphia families and to the economy of our City as a whole, and

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WHEREAS, These products are aggressively marketed in lower income neighborhoods; and

WHEREAS, There is documented evidence of major providers of RALs, repeatedly misleading taxpayers about the existence of cheaper alternatives to RALs, and failing to inform taxpayers about the option of filing their taxes electronically without having to obtain a loan; now therefore

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That Council calls upon the Pennsylvania Attorney General, the Secretary of Banking and the General Assembly to carefully scrutinize the conduct of tax preparers in connection with Refund Anticipation Loans (RALs), and to take appropriate action to ensure that their business practices are consistent with State law.

FURTHER RESOLVED, That the City Council Committee on Public Health and Human Services hold public hearings regarding RALs and forward its findings to the Pennsylvania Attorney General, the Secretary of Banking, and the General Assembly in efforts to encourage the development of measures in Philadelphia and throughout Pennsylvania to protect our citizens from losing their tax refund dollars to overpriced loans, and from being misled about their options with regard to tax preparation.

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CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the twenty-second of January, 2004.

Anna C. Verna
PRESIDENT OF THE COUNCIL

Patricia Rafferty
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Tasco

Sponsored by: Councilmembers Tasco, Goode, DiCicco, Mariano, Nutter, Council President Verna, Clarke, Miller, Ramos, Blackwell, Rizzo, Cohen, Kenney, Krajewski, O'Neill and Kelly