

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100069	Refund Anticipation Loans (RALs) - Common Questions

State of Wisconsin
Department of Revenue

Refund Anticipation Loans (RALs)

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

(En Español)

1. What is a Refund Anticipation Loan?
2. What are alternatives to RALs?
3. How does the RAL process work?
4. How much does a RAL cost?
5. What should I ask if I am considering a RAL?
6. Who offers RALs?
7. What is a creditor who provides RALs required to disclose in writing?

1. **What is a Refund Anticipation Loan?**

A Refund Anticipation Loan (RAL) is a loan made by a lender that is based on and usually repaid by an anticipated federal income tax refund. They are offered starting in December through the end of the tax season in April. Taxpayers are generally charged fees and interest to obtain a RAL. Just like any other loan, the full amount of the RAL must be repaid even if the refund is lower than the amount anticipated. Items like unpaid child support or traffic tickets can be deducted before the refund is sent.

2. **What are alternatives to RALs?**

Here are some ways to avoid the high costs and risks of RALs and get your tax refund back quickly at the same time:

- **E-file and request direct deposit** — When a taxpayer e-files, they can request the IRS and the state to electronically deposit the refund directly into their personal checking or savings account. It typically takes less than 21 calendar days for the IRS and less than 15 calendar days for the state to process and electronically deposit a refund. However, it can take up to 12 weeks to process a return.

- **Open a bank account** — A taxpayer should open a checking or savings account so their refund can be electronically deposited and available for immediate use. Many banks and credit unions will set-up an account for free. If a person chooses to use a check-cashing store, you will be charged fees to cash a check (\$50 on average).
- **Visit a free tax preparation site (commonly referred to as VITA or TCE)** — Trained volunteers will prepare an individual's tax return for free. Plus, many sites will file the return electronically to speed up the refund. To find a VITA or TCE site, call (800) 829-1040, dial "211", or visit [irs.gov](https://www.irs.gov).

3. **How does the RAL process work?**

When a taxpayer receives a RAL, the bank lends the taxpayer the amount of their tax refund less the cost of interest and fees for the loan. When the government sends the actual refund check, it is directly deposited into the bank that made the loan. If the refund is smaller than anticipated due to deductions for items like unpaid child support or traffic tickets, the full amount of the loan must still be repaid.

4. **How much does a RAL cost?**

The cost of a RAL can vary widely and consumers should understand all the costs associated with this type of loan. RALs often carry extremely high interest rates. In addition, there are often other charges like electronic filing fees, application fees and a fee to cash the loan check. When all the costs of an RAL are added up, taxpayers can be spending more than 10% of their refund just to get the money a few days sooner.

5. **What should I ask if I am considering a RAL?**

Taxpayers should be sure to read the fine print and ask a lot of questions before signing up for a RAL. Remember that most taxpayers who file electronically receive their refunds in less than 21 days. Paying the costs associated with a RAL could be a large price to pay for getting your money a few days quicker. Before deciding on a RAL, make sure you know the answers to the following questions:

- What is the interest rate?
- What fees are you being charged?
- What happens if your tax refund is less than you thought it would be?

6. **Who offers RALs?**

Businesses that prepare and file an individual's tax return typically offer RALs. This could include a tax preparation business, car dealership, furniture store, or check casher.

7. **What is a creditor who provides RALs required to disclose in writing?**

A creditor must disclose:

- Any charges or fees for electronically filing the tax return.
- The total dollar amount of all charges and fees.
- The estimated annual percentage rate of the loan.
- That the customer is responsible for repayment of the loan and the loan fees even if the tax refund is not paid or is paid in a lower amount than was anticipated.
- The expected length of time by which the customer will receive the loan proceeds.
- That the customer's tax return can be e-filed without obtaining a refund anticipation loan.

- The anticipated length of time within which customers could expect to receive their refund if their tax return was e-filed, and the customer does not request a refund anticipation loan.

Contact Information:

- Wisconsin Department of Revenue: (608) 266-2486
- VITA locations: (800) 829-1040 (IRS sponsored sites) and (888) 227-7669 (AARP sponsored sites)

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of January 8, 2020: Sections 73.03 and 422.301, Wis. Stats.

Laws enacted and in effect after January 8, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to January 8, 2020, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

FOR QUESTIONS OR COMMENTS CONTACT:

MS 5-77

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