

The Advocate, Winter 2005

The Consumer Advocate
A DCC Educational Newsletter
Winter 2005

IT'S TAX TIME!!

It's tax season, a time many of us look forward to because we are getting a refund, and a time others of us dread because we owe money to the government. Whatever your situation, it is best to do your taxes early. If you owe money, you don't need to send everything in early, but it is best to know what your tax situation is way before the deadline. It will give you an opportunity to plan in advance so you can set aside any money you may owe.

Free Tax Preparation

The IRS realizes that tax preparation can be a daunting task. To help, the IRS provides free tax preparation through different programs.

VITA Sites. VITA stands for Volunteer Income Tax Assistance. There are sites in libraries, shopping centers, community centers, and schools across the nation which offer VITA at no charge. You are eligible to receive this service if you earn \$36,000 per year or less.

TCE. TCE stands for Tax Counseling for the Elderly. The program is geared to assisting people who are 60 years old and older.

AFTC. The AFTC (Armed Forces Tax Council) provides free tax assistance to all military personnel and their families free of charge.

TAC Program. In conjunction with the IRS, AARP (American Association of Retired Persons) offers the free Tax-Aide Counseling Program at over 9,000 community sites. Trained counselors assist people of low to moderate income, with particular attention given to those age 60 and over.

For More Information

For more information on any of the IRS programs, contact them at 1.800.829.1040 or visit their website at www.irs.gov. Click "Individuals" on the menu on the left. When you get to that page, scroll down until you see "Free Tax Return Preparation for You by Volunteers."

To find out more about the AARP Tax-Aide Counseling Program, call the AARP at 1.888.227.7669, or visit their website at www.aarp.org. In the top center, find a box that says "Free Tax Help. Click on "find an AARP Tax-Aide Site"

A Money Trap You Should Know About

Speaking of tax preparation, we recommend that you steer clear of a new service being offered by tax preparation companies. Called Refund Anticipation Loans (RALs) and Refund Anticipation Checks (RACS), these are cash advances based on your federal income tax return. The tax preparer advances you the amount of your expected refund, minus a fee. You get the money right away, and you are happy as a clam.

Have you ever seen a happy clam? Most of them are being roasted at a clam bake. You'd be no different than a toasty clam if you took one of these options! Here's why.

- If you file your taxes electronically (which itself usually costs a fee) you would get your refund within 5-10 days anyway. Why pay another fee to get it a few days earlier??
- Next: the fee that you would pay for this "service" can be as high as a 500% APR, which is significantly more expensive than a cash advance on the most expensive credit card. (Not that we're recommending a cash advance on your credit card, but we are trying to make a point here...)
- Finally, what if Uncle Sam decides your tax preparer is off by a few dollars, or more than a few dollars? You still owe the agreed upon amount to the tax preparer. There's nothing you can do, except pay it back.

A final word...If you get a refund from the government, please consider doing something that will help stabilize your financial future. Consider putting all or some of it into a savings account, or paying down a credit card balance