

Supporting Statement for Refund Anticipation Loans Telephone Surveys

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Refund Anticipation Loans (RALs) are short-term loans secured by taxpayers' expected tax refund. Other common names: Fast Cash Refunds, Express Money, Instant Refund, Paystub Loans, Holiday Loans. These types of loans target low-income taxpayers; especially those who receive an Earned Income Tax Credit (EITC) or who do not have banking accounts. The RAL industry primarily consists of commercial tax preparers and banks that provide the loans. Because the duration of a RAL is approximately 7-14 days (the difference between the time RALs are obtained and when they are repaid by with taxpayers' refunds), fees for these loans translate into triple digit annualized interest rates.

The Internal Revenue Service (IRS) currently provides little oversight of paid preparers who electronically file (*e-file*) tax returns. Though the IRS requires *e-file* Providers to meet certain requirements pertaining to RALs and monitors *e-file* Providers, Treasury Inspector General for Tax Administration (TIGTA) recently reported that screening and monitoring of *e-file* providers is inadequate, which increases the risk of unscrupulous providers participating in the *e-file* Program.

Current IRS processes or systems do not capture the tax return preparation fees and costs associated with RALs. *E-filing*, currently at about 60 percent, is the driving force behind the RAL process and the IRS is mandated to increase *e-filing* to 80 percent. While the IRS has eliminated the marketing of RALs from its Free File Program, educating taxpayers about the burden of RALs and the ability to receive refunds quickly without RALs would further help reduce the financial burden RALs place on taxpayers.

Because of the risks and significant burden to taxpayers, and the lack of adequate IRS processes, systems, and oversight, TIGTA is including in its 2008 Annual Audit Plan an audit to determine the impact these loans have on taxpayers and tax administration. Gathering this information prior to January 31, 2008, will allow the IRS to issue alerts to taxpayer on the burden and risks of RALs before most taxpayers file their 2007 Federal tax returns. In addition, collection of this information is necessary to determine the accuracy of the IRS records, i.e., of which taxpayers obtained RALs.

2. USE OF DATA

Information obtained through the survey will be used to determine the cost and burden RALs place on taxpayers. This data will help learn how the RALs affect tax administration, what changes are possible and could be taken to better monitor *e-file* providers, and what actions could be taken to mitigate burden through taxpayer education and/or changes to the administration of the tax system.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

TIGTA is not able to determine the electronic submission capabilities of the potential respondents; therefore, we will not use any automated, electronic, mechanical, or other technological collection techniques.

4. EFFORT TO IDENTIFY DUPLICATION

We have researched current and prior TIGTA audits and have found no other collections gathering the same or similar information.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The survey will not include/impact small businesses or other small entities.

6. CONSEQUENCE TO FEDERAL PROGRAM OR POLICY ACTIVITIES IF COLLECTION IS NOT CONDUCTED

If the collection of this data is not conducted, it will preclude TIGTA from providing insight on actions that could be taken to better educate taxpayers and to determine the impact RALs have on taxpayers and tax administration. If TIGTA cannot complete the survey prior January 31, 2008, we will not have the data to determine the burden and risks of RALs before most taxpayers file their 2007 Federal tax returns.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTANT WITH OMB GUIDELINES

- *Requiring respondents to report information to the agency more often than quarterly.*
Respondents will not be asked to report information to TIGTA but once.
- *Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after the receipt of it.*
Respondents will not be asked to prepare a written response to a collection of information in fewer than 30 days after receipt of it.
- *Requiring respondents to submit more than an original and two copies of any documents.*
Respondents will not be asked to submit any documents unless the taxpayer's records do not match IRS records.
- *Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years.*
Respondents will not be required to retain records other than their tax records.
- *In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.*
TIGTA will not project results to the universe of study unless we use a statistical survey designed to produce valid and reliable results.
- *Requiring the use of statistical data classification that has not been reviewed and approved by OMB.*
TIGTA will not require the use of a statistical data classification that has not been reviewed and approved by OMB.

- *That includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.*

Tax returns and return information are confidential, as required by the Internal Revenue Code Section 6103. TIGTA will not include a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes the sharing of data with other agencies for compatible confidential use.

- *Requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.*

Respondents will not be required to submit proprietary trade secrets or other confidential information.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Introduction letters have been subjected to an internal quality review. TIGTA has not consulted with any person outside the agency regarding this information collection. Since we need to independently verify the IRS' records and discuss taxpayer experiences, the only available source for this information is the taxpayer.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Respondents will not be provided with payments, gifts, or remuneration.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Assurance of confidentiality will be communicated to the taxpayer during the telephone conversation and in the introduction letter in compliance with the Privacy Act and Paperwork Reduction Act Notice.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

All survey questions will pertain only to the taxpayers' account information and experiences with the RALs.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Survey burden estimate:

Number of respondents (507 * .40 respondent rate)	203
Frequency of response	One Time
Annual hour burden	15 minutes per respondent
TOTAL BURDEN	51 HOURS

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There will be no cost to respondents or recordkeepers resulting from the collection of information. Expenditures for capital or start-up costs of operation, maintenance, and purchase of services to provide information will not be required.

14. ESTIMATED ANNULIED COSTS TO THE FEDERAL GOVERNMENT

We estimate the cost for 507 introduction letters to be \$431. See attached statement for an explanation of this estimate.



Attachment to
Supporting Statement

15. REASONS FOR PROGRAM CHANGES OR ADJUSTMENTS

This is a new information collection and there are no adjustments reported in the annual reporting and recordkeeping hour and cost burdens.

16. PLANS FOR TABULATION STATISTICAL ANALYSIS AND PUBLICATION

The collection of information will occur in October through December 2007. The results of our telephone interview program will be provided the IRS January 2008 and a final report will be issued by May 2008 to the appropriate IRS officials.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

TIGTA will display the expiration date for OMB approval of the introductory letter and collection instrument.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

There are no exceptions to the certification statement in item 19 of Form 83-I.