



Senate

General Assembly

File No. 90

February Session, 2004

Senate Bill No. 476

Senate, March 16, 2004

The Committee on General Law reported through SEN. COLAPIETRO of the 31st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING INCOME TAX REFUND LOAN DISCLOSURES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2004*) (a) As used in this
2 section:

3 (1) "Client" means an individual for whom a tax preparer performs
4 or agrees to perform tax preparation services.

5 (2) "Refund anticipation loan" means a loan by a tax preparer in
6 anticipation of and whose payment is secured by a client's state or
7 federal income tax refund, or both.

8 (3) "Tax preparation services" means services provided for a fee or
9 other consideration to a client including, but not limited to, (A)
10 assisting with preparing or filing state or federal individual income tax
11 returns, (B) assuming final responsibility for completed work on an
12 individual income tax return on which preliminary work has been
13 done by another, or (C) offering refund anticipation loans.

14 (4) "Tax preparer" means a person providing tax preparation
15 services.

16 (b) Any tax preparer offering a refund anticipation loan to a client
17 shall provide to such client a disclosure form, in duplicate, captioned
18 "REFUND ANTICIPATION LOAN DISCLOSURE" that shall contain
19 in fourteen point boldface type the following information:

20 "1. THIS IS A LOAN.

21 2. THE ANNUAL PERCENTAGE RATE, BASED ON THE
22 ESTIMATED PAYMENT PERIOD, IS ____ .

23 3. YOUR TAX REFUND WILL BE USED TO REPAY THE LOAN.
24 AS A RESULT, THE AMOUNT OF YOUR REFUND WILL BE
25 REDUCED BY THE AMOUNT OF THE LOAN AND AN
26 ADDITIONAL ____, FOR FEES, INTEREST AND OTHER CHARGES.

27 4. YOU CAN GET YOUR REFUND IN APPROXIMATELY TWO
28 WEEKS IF YOU FILE YOUR TAX RETURN ELECTRONICALLY AND
29 THE INTERNAL REVENUE SERVICE OR THE DEPARTMENT OF
30 REVENUE SERVICES SENDS YOU YOUR REFUND DIRECTLY.

31 5. IF YOU CHOOSE TO TAKE THIS LOAN AND IF YOUR
32 REFUND IS DELAYED, YOU MAY HAVE TO PAY ADDITIONAL
33 INTEREST."

34 (c) A violation of this section shall be deemed an unfair or deceptive
35 trade practice in accordance with the provisions of chapter 735a of the
36 general statutes.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>

GL *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Consumer Protection, Dept.	GF - None	None	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires a tax preparer to provide a disclosure form to a client that is anticipating an income tax refund loan, which is subject to fees and interest. The bill has no fiscal impact on the Department of Consumer Protection.

OLR Bill Analysis

SB 476

AN ACT CONCERNING INCOME TAX REFUND LOAN DISCLOSURES**SUMMARY:**

This bill requires tax preparers who offer clients a loan secured by a state or federal income tax refund, or both (refund anticipation loan) to give them written notice (1) that the loan is subject to fees, interest and other charges, and (2) of the amount to be charged, the annual percentage interest rate, and the possibility of additional interest charges. The tax preparer must provide the client with two copies of the above-described disclosure form, in a format and with wording the bill specifies. A violation of the bill is an unfair or deceptive trade practice.

Under the bill, tax preparers are those who, for a fee or other consideration, (1) help people prepare or file state or federal individual income tax returns, (2) assume final responsibility for completed work on an individual income tax return on which another person has done preliminary work, or (3) offer refund anticipation loans.

EFFECTIVE DATE: October 1, 2004

Disclosure Form

The form, captioned "Refund Anticipation Loan Disclosure" must include the following information in 14-point, boldface type:

1. notice of the loan;
2. the annual percentage rate, based on the estimated payment period;
3. notice that the tax refund will be used to repay the loan, and the amount by which this will reduce the amount of the refund, including fees, interest, and other charges;

4. notice that the client can receive a tax refund in about two weeks if he files electronically and the Internal Revenue Service or Department of Revenue Services sends the refund directly;
5. notice that the client may have to pay additional interest if the refund is delayed.

BACKGROUND

Unfair and Deceptive Trade Practice

The Connecticut Unfair Trade Practices Act (CUTPA) prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the Department of Consumer Protection and Agriculture commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$5,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. The act also allows individuals to bring suit. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorneys fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violating a restraining order.

COMMITTEE ACTION

General Law Committee

Joint Favorable Report
Yea 19 Nay 0