

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 4240

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Senate Commerce Committee reports favorably Senate Bill No. 4240.

This bill prohibits tax preparers from engaging in certain practices involving refund anticipation checks and loans.

An income tax refund is the largest lump-sum payment that many residents in the State receive in a given year, and many tax preparers take advantage of this fact by offering residents—particularly low-income residents—refund anticipation loans and checks at exorbitant interest rates or with other exploitative practices. Under this bill, tax preparers will be prohibited from requiring clients to enter into a refund anticipation check agreement in order to complete a tax return. Tax preparers will also be prohibited from providing, offering, or advertising refund anticipation loan or check services using terms such as “free,” “no cost,” “no fee,” or other language that would lead a client to reasonably believe that the refund anticipation loan or check is provided at no cost to the client if the issuance of a refund anticipation loan or check results in, or is predicated upon, the assessment of higher or additional fees for other tax preparation or other services than are charged to clients who do not receive refund anticipation loan or check services.

Additionally, tax preparers will be required to provide an itemized statement of any service charges or fees for providing or facilitating a refund anticipation check and any interest charged, including the estimated amount of interest in the event a refund is delayed, under the terms and conditions of a refund anticipation loan or refund anticipation check. Tax preparers who violate any of the provisions of this bill will be subject to the Consumer Fraud Act. As used in this bill, “refund anticipation check” means a check, stored value card, or other payment mechanism representing the actual or anticipated proceeds of the client’s federal or State income tax refund which was issued by a depository institution, tax preparer, or other person that received or anticipates receipt of a direct deposit of the client’s federal or State income tax refund and for which the client has paid a fee or other consideration for such payment mechanism.