

Afro-Netizen

It's Not Money Like Magic: Magic Johnson pitches for predator Jackson Hewitt

Kimberly Jones

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As part of [a deal announced last November](#), Magic Johnson is appearing in a marketing campaign

throughout the 2009 tax season for Jackson Hewitt, the franchise tax preparer notorious for preying on low-income people.

Magic appears in television ads, radio spots on urban stations and billboards in communities of color endorsing the “Money Now Loan” —one of the largest sources of high-interest tax refund loans in the nation. The ads, streamed on www.JacksonHewitt.com, feature Magic talking about how his teammates helped him to succeed, and how everyone needs a little help sometimes.

“It’s money like Magic,” is the commercial’s tagline.

Conveniently, the website also offers a 20 percent discount for customers who order Magic’s book, [32 Ways to be a Champion in Business](#). [The California Reinvestment Coalition](#) began hearing about these ads earlier this year from our constituents. They’re hard to miss in urban neighborhoods and communities of color.

We wrote a letter to [Magic Johnson Enterprises](#), expressing our concern and requesting that Magic withdraw these ads and his support from Jackson Hewitt’s tax refund loan. No response.

This week, we joined with the [Woodstock Institute](#) in Chicago, [Neighborhood Economic Development Advocacy Project](#) in New York and the [Community Reinvestment Association of North Carolina](#) to publicly call on Magic to stop promoting these loans and re-consider his partnership with Jackson Hewitt. At this time of widespread economic crisis when many families are experiencing financial hardship, especially in low-income communities of color, Magic Johnson should not get in the business of tax refund loans. Magic’s developments have been positive for communities of color and low-income communities.



We admire him and hope he will stop this collaboration with predatory lenders. Tax refund loans particularly target working poor families already being hurt by the economic crisis. Two-thirds of refund borrowers are recipients of the [Earned Income Tax Credit](#) (EITC), one of the few federal safety nets for the working poor. Refund anticipation loans are secured by a taxpayer's federal refund. Borrowers

end up paying exorbitant interest (annual interest rates can range from 50% to nearly 500%) to receive what is billed as fast cash on their tax return.

Jackson Hewitt charges fees with an APR of either 134% or 140%. "Refund anticipation loans are part of a spectrum of abusive, high-cost small loans that have plagued low-income neighborhoods and communities of color, draining hundreds of millions of dollars in wealth, too often through deceptive practices," said Sarah Ludwig, co-director of Neighborhood Economic Development Advocacy Project.

IRS data shows that 8.7 million taxpayers took out refund anticipation loans in 2007, costing them almost \$1 billion in fees. Two-thirds of these borrowers are recipients of the EITC, which supplements the wages of low-income workers. An estimated 4.5 million people, including 2.4 million children, are lifted out of poverty as a result of EITC, making it the most effective government anti-poverty program. EITC recipients make up only 17% of all taxpayers, but are vastly overrepresented among tax refund borrowers.

Based on IRS data, consumer advocates estimate that about \$523 million was drained from the EITC program by refund anticipation loan fees in 2007. Jackson Hewitt, the second largest commercial preparation chain in the country, has been the target of several government lawsuits for its abusive practices.

In 2007, the California Attorney General won a \$5 million settlement from the company for violating state and federal laws in marketing its tax refund loans to low-income customers. That same year, the Department of Justice sued five Jackson Hewitt franchises for preparing fraudulent tax returns that falsely claimed \$70 million in refunds. When preparers inflate refunds, or if the IRS denies or delays the refund, the consumer still has to pay back the loan. On Feb. 20, Johnson announced another partnership with [Rent-A-Center](#), another purveyor of high-cost lending whose rent-to-own stores can be found in low-income neighborhoods throughout the country.

"As a lifelong Laker and Magic Johnson fan, I am extremely concerned that Magic would endorse Jackson Hewitt and their Money Now Loan. These loans do exactly the opposite of what Magic has done and supported in minority communities—these loans bleed money out of these communities, they deprive families out of hard-earned income and they keep minorities out of

the financial mainstream,” said Roberto Barragan, president of [Valley Economic Development Center](#) in Los Angeles, which also provides a free site for [Volunteer Income Tax Assistance \(VITA\)](#).

VITA sites have played a critical role in helping to process EITC refunds for low-income taxpayers so they can keep more of their hard-earned money. Tax filers with a total household income less than \$38,000 can have their taxes prepared for free at these sites and then directly deposited into their bank accounts. The IRS can electronically deposit tax refunds into tax filers’ accounts in as little as five to 10 days for free.