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NEWS RELEASE

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MYSTERY SHOPPERS FIND RAMPANT ABUSE BY NYC TAX PREPARERS

Testing Reveals Pervasive Consumer Protection Violations and Fee-Gouging

NEDAP and allies today released a report highlighting rampant abuses in the tax preparation industry in New York and around the country. Conducting “mystery shopper” tests of tax preparers in New York City, NEDAP found widespread violations of city and state laws governing tax refund anticipation loans (RALs).

NEDAP’s undercover testers found that only one tax preparer provided the full written and oral disclosures required by New York law. Most of the preparers encouraged testers to take out RALs or Refund Anticipation Checks (RACs), without explaining how these products worked or how much they cost. One preparer arranged a RAC without the taxpayer’s knowledge, which added an additional \$54 to her already hefty tax prep fee of \$443.

“RALs drain more than \$54 million from working New Yorkers’ refunds and tax credits each year, and are among the array of high-cost, abusive loans that pervade low income neighborhoods and communities of color,” said Deyanira Del Rio, NEDAP’s Associate Director. NEDAP detailed neighborhoods hardest hit by RALs in its recently issued report, [Rapid Rip-Offs](#), in which NEDAP also recommended city, state and federal policy reforms.

Several preparers also charged exorbitant fees – up to \$443 – to prepare simple tax forms, and failed to provide an estimate of tax prep fees up-front. In particularly egregious cases, testers reported that preparers encouraged them to commit tax fraud, including underreporting income or falsely claiming dependents.

In 2009, New York State enacted legislation requiring that tax preparers provide clear written and oral disclosures to taxpayers about the costs associated with taking out a RAL. New York City also requires RAL disclosures, and prohibits the deceptive marketing of RALs as “rapid refunds.”

NEDAP testers conducted “mystery shopper” tests at tax preparers in Harlem and Lower East Side, Manhattan; Cypress Hills, Brooklyn; Corona, Queens; and Fordham-Bedford, Bronx. The testers had their 2009 tax returns prepared by H&R Block, Jackson Hewitt, Liberty Tax Service and several independent tax preparers. NEDAP will share its findings with city and state enforcement agencies for further investigation.

NEDAP conducted the mystery shopping tests in partnership with the National Consumer Law Center. Findings from testing conducted in Arkansas, New York and North Carolina are detailed in the report, [Tax Preparers Out of Compliance: Mystery Shopper Testing Exposes Violations of Refund Anticipation Loan Laws in Arkansas, New York and North Carolina](#).

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