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**MAYOR RAHM EMANUEL TAKES MEASURES TO PROTECT CHICAGOANS AS THEY
RECEIVE HELP PREPARING TAXES**

New Ordinance Installs Safeguards Against Predatory Tax Preparers

Empowers City to Investigate and Prosecute Tax Preparation Businesses for Deceptive Practices

CHICAGO – Mayor Rahm Emanuel today announced a new ordinance to protect Chicago taxpayers from bad business practices by unscrupulous tax preparers. The ordinance focuses on businesses that take advantage of taxpayers unfamiliar with the filing process and saddles them with hidden charges, unfair repayment rules and misleading information that forces consumers to use alternative, more expensive products.

“These businesses prey on taxpayers with promises of fast cash and rapid refunds that ultimately cost families hard-earned income they need to pay their bills and provide for their families,” said Mayor Emanuel. “These practices should be illegal. In Chicago, we are sending a clear message that commercial tax preparers must be honest and upfront with consumers about their choices and rights.”

The businesses being targeted by the new ordinance primarily prey on taxpayers eligible for the Earned-Income Tax Credit (EITC), a critical economic support that allows hardworking low-income families to keep more of what they earn. Nearly 70 percent of these families use a commercial tax preparer to claim the EITC. Predatory commercial tax preparers use misleading practices and fine print to drive families into costly and unnecessary refund products like Refund Anticipation Loans and Refund Anticipation Checks (RALs/RACs) without full disclosure.

Every year commercial tax services drain \$47.2 million out of the pockets of Chicago’s working families and nearly \$75.6 million from the local economy. On average, commercial tax preparers



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charge low-income families \$189 for every return. More than half of these families are sold costly refund settlement products with fine print, hidden fees that can add up to \$289.

“This ordinance will ensure that Chicagoans are made aware of their consumer rights before they sign away their tax refunds and hard-earned income to cover exorbitant fees and high cost loans by commercial tax preparers,” said David Marzhal, President of Center for Economic Progress, a non-profit organization that provides free tax preparation services to low-income families. “For too long, unscrupulous tax preparers have taken advantage of unsuspecting taxpayers; now the city has leveled the playing field, and will be ensuring transparency and openness in an annual business transaction that has left many community residents feeling ripped off and uninformed.”

The ordinance will dramatically expand consumer awareness about commonly offered predatory tax products by forcing commercial tax preparers to disclose all fees and costs associated with their services before the return is performed.

- The ordinance mandates that tax preparers inform taxpayers of their rights and disclose any hidden fees, eliminate surprise costs and hard to find fine print during tax preparation. The City of Chicago’s Department of Business Affairs and Consumer Protection (BACP) will require businesses to use easy-to-understand disclosure forms that clearly lay out all costs before the return is prepared.
- Every tax preparer will be required to provide consumers with a bill of rights, so customers know exactly what to expect from high-quality tax preparation services and how to seek help if they believe they are victims of unscrupulous tax services.
- The ordinance will ban tax preparers from steering customers towards high-cost refund products. Additionally, a tax preparer can no longer force customers to use a Refund Anticipation Loan or a Refund Anticipation Check if they seek general tax returns services.
- Immigrant families who play by the rules and pay their taxes will be given the protection they deserve – tax preparers will be required to disclose all costs and fees in the native language of the customer.



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BACP will implement the new requirements and take proactive steps to alert business owners about the changes. Enforcement will be a top priority. Investigators will be in the field and BACP will issue a consumer alert to inform taxpayers where they can file a complaint if they believe they're a victim of predatory practices. Fines will be levied on businesses found in violation of this ordinance.

“With this ordinance, we are putting bad businesses on notice that there will be consequences for their unscrupulous actions, and we are empowering taxpayers by providing the complete details of their rights and choices,” said BACP Commissioner Rosemary Krimbel.

The new ordinance will be introduced to City Council on Wednesday, February 15.

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