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Special Message to CPAs about Refund Anticipation Loans (RAL)

A RAL is a loan that allows a taxpayer to borrow against an anticipated income tax refund. While these loans actually are made by banks, often they are offered to clients by tax preparers, and sometimes by CPAs, as part of the tax return preparation service. In rare instances, a CPA may make a personal loan to the client in the form of a RAL.

CPAs licensed by the California Board of Accountancy need to be aware that if they facilitate or broker a RAL, they must comply with the Board's statute (Business and Professions Code Section 5061) and implementing regulations (Sections 56-56.4) related to commissions and existing disclosure requirements.

The commissions requirements apply to licensees because the RAL involves a fee-sharing arrangement between the CPA and the lender in conjunction with a professional service, such as tax return preparation, performed by the CPA.

Section 56 requires written disclosure of specific information including the dollar amount the CPA will receive. These disclosures must be made at or before the time of making the referral to the lender or performing other activities to facilitate the loan, regardless of whether the client actually accepts the loan. Section 56 provides a complete description of all the required disclosures.

For additional information or questions, contact the Board's Enforcement Division by email at enforcementinfo@cba.ca.gov or by telephone at (916) 561-1729.

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