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Borrowed Time:

Use of Refund Anticipation Loans Among EITC Filers in Native American Communities

Native Assets Research Center
Research Report 2009-1

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Center for Responsible Lending

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EXECUTIVE SUMMARY

The Earned Income Tax Credit (EITC), which supplements the earnings of low-to-moderate income working families, returns over $44 billion each year to these households and their communities and lifts approximately five million people above the poverty line. Unfortunately, paid tax preparers have weakened the economic impact of the EITC by over $600 million a year by offering Refund Anticipation Loans (RALs) that give EITC recipients quicker access to their refunds in return for high fees of 50-500 percent APR.

Households in communities of color are disproportionately impacted by high-cost RAL products. While few studies have focused on RAL usage by Native Americans, anecdotal evidence points to high rates of RAL usage in and near reservations, and Native leaders have identified RALs as a significant issue in their communities.

Findings

In this paper, we provide new data showing the disproportionate use of RALs among EITC recipients in Native communities. An analysis of EITC recipients in 10 states with large shares of Native American population and lands finds that:

1. **EITC recipients in Native communities use RALs at greater rates than those in non-Native areas.** In nine of the 10 states studied, "Native Population Counties" (those with Native land and an overall population comprised of at least 10 percent Native Americans) had higher rates of RAL usage among EITC recipients than non-Native counties.

2. **RAL usage among EITC recipients rises as the share of Native Americans in the overall county population increases.** In most of the states in our analysis, we find a moderate to strong positive statistical correlation between an increase in the share of Native Americans residing in a county and the usage of RALs among EITC tax filers.

3. **EITC recipients' use of RALs in Native communities is quite high even in remote, rural areas.** Generally, tax filers in rural areas are less likely to get a RAL, perhaps because of a longer distance to commercial tax preparers offering such products. This trend does not hold for Native communities, and some of the highest rates of RAL usage among EITC filers are found in very rural reservation communities.

4. **Significant EITC funds are being drained from Native communities by RAL fees.** EITC recipients pay an estimated $250, on average, for tax preparation and a RAL. With large shares of a community using these products, a significant amount of EITC refunds are diverted from the households and communities for which they were intended. In return for this high cost to the community, EITC recipients merely receive their refund one to two weeks earlier than they otherwise would.

Enacting the following recommendations will help prevent the draining of needed tax refunds from Native American communities by both reducing the demand for the RAL product and improving the terms under which RALs are offered. We have the following recommendations for tribal, state, and federal policymakers:

1. **Increase and support Volunteer Income Tax Assistance (VITA) sites in and near Native communities to allow EITC recipients and other low-to-moderate income tax filers to access free tax preparation services without the marketing of high-cost RALs.** In partnership with the IRS, VITA sites provide free tax preparation services to low-to-moderate income individuals to help them gain access to their tax refund (and in many cases, their EITC and other tax credits) without paying the fees associated with RALs. Many of these programs offer other services in addition to tax preparation, including financial counseling and help opening a bank account at partner financial institutions. VITA sites and other low-cost tax preparation sites can be located at tribal housing authorities, tribal colleges, tribal business centers, Native community development financial institutions (CDFIs), and other community-based nonprofit organizations located on or near reservations or Native lands. We recommend that VITA sites and other low-cost tax preparation sites be provided with the resources they need to support operational expenses, training and technical assistance so they are able to effectively offer their services in Native communities. In addition, we support the IRS VITA matching grant program that was piloted in 2008. This program should continue and be expanded both in dollar amount and flexibility (for example, in the future, we recommend that funds be allowed to be used for financial education and asset building programs).

2. **Establish a federal rate cap on RALs and other high-cost loans, similar to one that already exists for active-duty military and their dependents.** Congress enacted a law in 2006 which restricts lenders from charging more than 36 percent annual interest on RALs, payday, and car title loans to service members, out of concern that these forms of high-cost credit were creating substantial burdens for these households. This protection could be expanded to all Americans by enacting a 36 percent national usury cap covering all consumer loan products, including RALs. Tribal leaders may also be able to pass tribal codes to limit the impact of RALs and other high-cost products offered by tax preparers and lenders.

3. **Conduct public education campaigns in Native communities.** Concerned policymakers, organizations, and tribal leaders can educate EITC recipients and other tax filers on strategies such as electronic filing that can increase the speed at which they receive a tax refund. In addition, tax preparation resources such as VITA sites and the IRS free file program should be promoted as alternative ways to secure EITC refunds.

I. INTRODUCTION

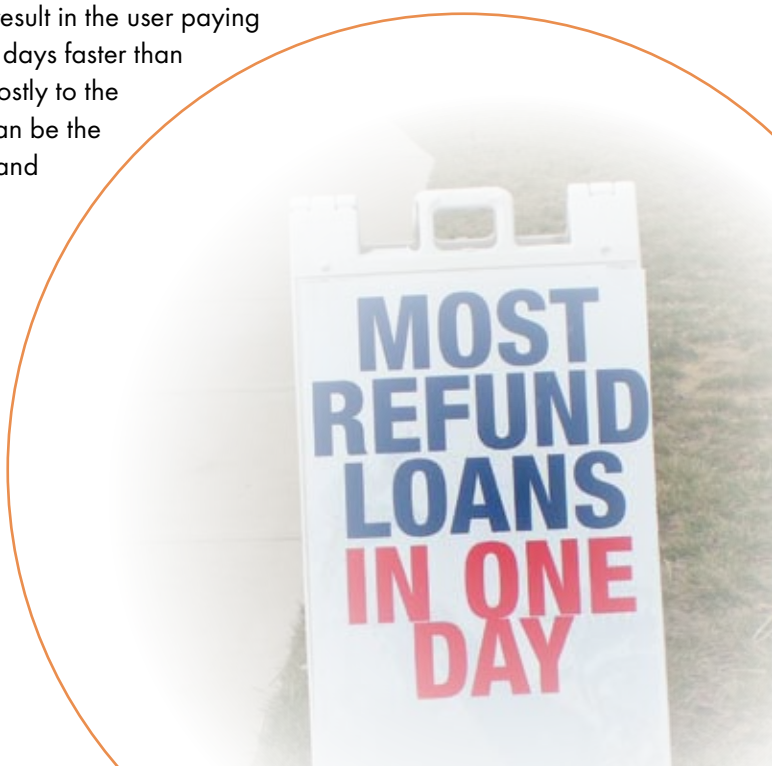
The Earned Income Tax Credit (EITC) is a federal government program designed to provide financial support for the working poor. Created in 1975 to reduce taxes for low-income families and provide an incentive to pursue wage labor, the EITC is a refundable tax credit that supplements low-to-moderate income workers' earnings. The refund a recipient receives is based on their income level and number of children, among other criteria. For the 2008 tax year, an EITC filer with one qualifying child can receive a maximum credit of $2,917, and for individuals with two or more qualifying children, the maximum credit is $4,824.

The EITC has grown to be one of the largest income support programs for low-to-moderate income families, far surpassing food stamps and Temporary Assistance to Needy Families (TANF). In 2007, 23.1 million eligible families and individuals claimed the EITC amounting to over $44.6 billion returned to their communities.[1] For many families, the income support gained from the EITC can be significant. According to the Annie E. Casey Foundation, in 2006 the EITC lifted 5 million people above the poverty line.[2] Unfortunately, many tax preparers have reduced the economic impact of the EITC by charging high fees for tax preparation and offering high-cost Refund Anticipation Loans (RALs) for filers who want quick access to their EITC refund.

A. High Costs and Meager Benefits of Refund Anticipation Loans

While accessing the EITC is free, many filers use the services of a paid tax professional to prepare their tax return. In addition to charging a fee for the preparation of the tax return, these tax preparers also offer a service known as a Refund Anticipation Loan or RAL. RALs are one to two week loans made by banks on behalf of filers, facilitated by tax preparers, and secured by the taxpayer's expected tax refund. RALs are marketed as a way to "get your money quickly" and result in the user paying substantial fees to access their tax return usually only five to 10 days faster than they would if they filed electronically.[3] RALs can be extremely costly to the applicant. The average expense of the one to two week loan can be the equivalent of 50-500 percent APR, depending on the total fee and loan term.[4]

RALs have numerous hidden costs for their recipients. Not only must applicants pay a fee to the RAL lender (which can range in cost from $60 to $110)[5] but they may also pay separate fees (often referred to as "document processing" or "application" fees) levied by their tax preparer. There are also extra charges for same-day processing of the RAL. Therefore, individuals do not reap the full benefits of their tax refund since much of the money goes to covering expenses attached to their RAL.



RALs also have hidden risks. Problems arise if an individual's tax refund is denied, is lower than they anticipated when taking out the loan, is offset for child support debt, or is frozen. These scenarios have the potential to put RAL recipients into debt they would not experience had they waited the extra one to two weeks for their tax refund from the IRS. In addition, many individuals can get trapped by "cross-lender debt collection" which arises when an individual owes money from a previous RAL and proceeds to take out another RAL. Many banks will seize the new refund in order to pay off the previous loan preventing applicants from using the loan for its original purpose.

While RALs are costly, they remain popular among many tax filers. Over a quarter (28.5 percent) of all EITC recipients used a RAL to get their refund during the 2005 tax year.[6] The Brookings Institution suggests that there are five main reasons why many low-income tax filers continue to use RALs despite their high costs. Tax filers may have a real or perceived need for immediate cash, may lack detailed information about the product, or may be unable to pay for tax preparation out of pocket and therefore use a RAL to cover expenses. In addition, tax filers may find that the prospect of a large refund creates a "windfall effect" that makes the RAL fees seem small, and tax filers may also be influenced by their peers who may not know about other ways besides RALs to receive one's tax refund. All of these factors highlight the importance of raising awareness of alternatives to paid tax preparation such as Volunteer Income Tax Assistance (VITA) sites.[7]

Nationally, RALs continue to reduce the impact of the EITC by millions of dollars. A 2002 study by the Brookings Institution suggests that electronic tax filing and preparation services cluster in neighborhoods where large numbers of families claim the EITC.[8] For the 2005 tax year, 63 percent of RAL users were EITC recipients, even though they made up only 17 of individual taxpayers.[9]

In 2007 the National Consumer Law Center estimated that approximately $570 million was drained out of the EITC program by RAL loan fees.[10] Adding administrative and application fees increases that amount by $57 million.[11] Based on average prices paid by customers at the nation's largest tax preparation companies in 2005, the average taxpayer was charged $100 in RAL fees.[12] The total cost to the filer is of course much higher because they are also paying someone to prepare their taxes. The National Consumer Law Center and the Consumer Federation of America estimate this fee to be about $150 on average,[13] which means tax filers who receive a RAL reduce their refund–which averaged $1,894 for the 2005 tax year–by at least $250.[14] The problem of RALs is not only one that affects the working class individuals who typically utilize this service but one of the entire taxpaying community whose tax dollars are diverted from their designated target.

Estimated Cost of RALs to Families and Communities

Loss to EITC recipients: $250 ($150 tax prep fee plus $100 RAL fee)

Loss of EITC funds to communities nationwide in 2007: $627 million ($570 million in RAL fees plus $57 million in associated fees)

B. VITA Sites as Alternatives to Paid Tax Preparation and RALs

Nationally, there has been a movement to provide free or low-cost tax preparation services to low and moderate-income individuals to help them gain access to their tax refund (and in many cases, their EITC and other tax credits) without paying fees, or being tempted by RALs. The most common program is the Volunteer Income Tax Assistance (VITA) site, which is offered in partnership with the IRS. VITA sites have certified volunteer staff that prepare clients' tax forms free of charge. Most locations also offer free electronic filing. Innovative tax preparation centers have also started offering free or low-cost instant refund products though partnerships with local credit unions.[15] The difference between these products and RALs is not only the cost but the inclusion of financial counseling and encouragement for those who are unbanked to open a bank account at the partner financial institution. While these sites hold great promise in the communities in which they operate, they are still getting to scale to achieve greater levels of impact. Nationally, just two percent of EITC recipients use a volunteer tax filing site, while 71 percent use a paid tax preparer.[16]

C. Disproportionate Impact of RALs on Minorities and the Working Poor

Previous research suggests that RALs are typically marketed to low-to-moderate income taxpayers and EITC recipients.[17] According to IRS data, 85 percent of taxpayers who applied for a RAL in 2006 had adjusted gross incomes of $37,300 or less.[18] In addition it appears that RALs are also disproportionately used by minority communities. The National Consumer Law Center suggests that African American and Latino taxpayers disproportionately receive RALs, and the Neighborhood Economic Development Advocacy Project (NEDAP) found that RALs were overwhelmingly concentrated in New York City's lowest income neighborhoods of color.[19]

New data suggest that RALs are also heavily concentrated in Native American communities. According to the Gannett News Service, in 2007 the top four counties out of all high RAL-use counties in the nation were "Native counties."[20] These counties were all located in either North Dakota or South Dakota on Indian reservations, and at least 80 percent of the population was Native American according to the 2000 Census. An analysis of tax return data by the Wisconsin Council on Children and Families indicates that Wisconsin also had high levels of RAL use in communities within or bordering several of the state's Indian reservations.[21] Finally, a survey of attendees at the 2007 annual conference of the National American Indian Housing Council revealed that RALs were the most frequent high-cost lending product to be identified as "a big problem" in Native communities.[22]

In this paper, we seek to provide new data on the disproportionate use of RALs in Native communities by exploring the use of RALs among EITC recipients on Indian reservations and in Oklahoma Tribal Statistical Areas (OTSAs) in 10 different states across the nation.[23] While previous research suggests that RALs are disproportionately used by low-income and minority communities, there is a need for greater research about the use of RALs in Native American communities. In addition, we explore how other factors such as the poverty rate and the rural or urban character of an area impact RAL usage, and suggest actions for reducing the use of RALs among Native American populations. We also estimate the money drained from Native American communities through the use of commercial tax preparers and RALs that could otherwise be saved through VITA programs and other low- or no-cost tax preparation sites.

FOOTNOTES

[1] The Center on Budget and Policy Priorities. (2009). EIC and Child Tax Credit Outreach Kit. Washington DC: The Center on Budget and Policy Priorities. Data is for 2006 tax year, the latest year for which we have information.

[2] The Annie E. Casey Foundation. (2007). *Earned Income Tax Credit: Lessons Learned.* Baltimore, MD: The Annie E. Casey Foundation.

[3] RALs differ from Refund Anticipation Checks. Refund Anticipation Checks (RACs) are a non-loan product offered by paid tax preparers that, like RALs, allow quicker access to tax refund money. RACs provide households without bank accounts to benefit from a directly-deposited refund into a temporary bank account. Tax refunds are distributed more quickly by direct deposit than by an IRS-issued paper check. Taxpayers should be encouraged to open permanent bank accounts to avoid paying annual RAC fees of approximately $30. For more information on RACs, see Wu, C.C. (November 2004). *Building a Better Refund Anticipation Check: Options for VITA Sites.* Boston, MA: National Consumer Law Center. We do not provide data on RACs in this report.

[4] Wu, C.C. & Fox., J.A. (March 2008). *Coming Down: Fewer Refund Anticipation Loans, Lower Prices for Some Providers, But Quickie Tax Refund Loans Still Burden the Working Poor. The NCLC/CFA 2008 Refund Anticipation Report.* Boston, MA & Washington, DC: National Consumer Law Center and Consumer Federation of America.

[5] Wu, C.C. & Fox, J.A. (March 2008).

[6] Data generated by Elizabeth Kneebone, Brookings Institution for the 2005 tax year. Email correspondence on file with authors.

[7] Berube, A., Kim, A., Forman, B. & Burns, M. (2002). *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of EITC.* Washington, DC: The Brookings Institution.

[8] Berube, A. et al (2002).

[9] Data from IRS SPEC, Return Information Database for Tax Year 2005 (Returns filed in 2006), May 2007, as cited in Wu, C.C. & Fox J.A. (March 2008).

[10] Wu, C.C. & Fox, J.A. (March 2008). Data is from the 2006 tax year. EITC was accessed during 2007.

[11] Wu, C.C. & Fox, J.A. (March 2008).

[12] Wu, C.C. & Fox, J.A. (March 2008).

[13] Wu, C.C. & Fox, J.A. (2007). *One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced.* Boston, MA & Washington, DC: National Consumer Law Center and Consumer Federation of America.

[14] Kneebone, E. (April 2008). *Bridging the Gap: Refundable Tax Credits in Metropolitan and Rural America.* Washington, DC: The Brooking Institution.

[15] For example, the City of San Antonio's Department of Community Initiatives is a member of the San Antonio Coalition for Economic Progress which partnered with the San Antonio City Employees Federal Credit Union to offer free bank accounts and low cost RALs to clients at their VITA sites.

[16] Data generated by Elizabeth Kneebone, Brookings Institution, for the 2005 tax year. Email correspondence on file with authors. EITC recipients may find using a paid tax preparer an attractive option as compared to preparing a return themselves because of the perceived complexity of claiming the EITC. In addition, using a paid tax preparer, or a software program to file taxes may be more attractive to tax filers generally because of the opportunity to e-file a return which can result in a quicker refund. VITA sites, where available, can provide the expertise and e-filing EITC recipients might otherwise get at a paid tax preparer, but for no fee.

[17] Wu, C.C. & Fox, J.A. (March 2008); Berube et al. (2002).

[18] Data from IRS SPEC, Return Information Database for Tax Year 2005 (Returns Filed in 2006), May 2007, as cited in Wu, C.C. & Fox, J.A. (March 2008); Government Accountability Office (2008), *Open Letter to Chairman John Lewis, Subcommittee on Oversight Committee on Ways and Means, House of Representatives, GAO-08-800R Refund Anticipation Loans.* Washington, DC: Government Accountability Office.

[19] Keeley, C., Ludwig, S. & Griffith, M.W. (January 2007). *Predatory Tax-Time Loans Strip $324 million From New York City's Poorest Communities: An Analysis of Tax Refund Anticipation Lending in NYC 2002-2005.* New York, NY: Neighborhood Economic Development Advocacy Project.

[20] Tumulty, B. (March 14 2007). *Tax Refund Anticipation Loans Prevalent on Indian Reservations,* McLean, VA: Gannett News Service.

[21] Keckhaver, J. (February 2 2005). *"Refund Anticipation Loans" in Wisconsin: Little Gained and Much Lost for Low-Income Workers and Local Economies.* Madison, WI: Wisconsin Council on Children and Families.

[22] Jorgenson, M., Dewees, S., and Edwards, K. (2008). *Borrowing Trouble: Predatory Lending in Native American Communities.* Longmont, CO: First Nations Development Institute.

[23] Oklahoma Tribal Statistical Areas, or OTSAs, are lands within former reservation boundaries in Oklahoma, and are a designation developed by the Census Bureau in consultation with federally-recognized tribes in Oklahoma.

II. RESEARCH DESIGN

Using aggregated tax return data from the Brookings Institution's EITC Interactive website,[24] we downloaded county level data for the most recent tax year available, 2005, for 10 states with high Native American population:[25] Arizona, Minnesota, Montana, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Washington, and Wisconsin. We first compared tax data for counties that contain all or part of an Indian reservation or OTSA with counties with no Indian lands.[26] In addition to comparing counties with and without Indian lands, we also take into consideration the size of the Native American population in these counties, focusing especially on those counties with (1) Indians lands and (2) where Native Americans make up at least 10 percent of the total county population. We refer to these counties as "Native Population Counties" for the purpose of this analysis. Consequently, the contrast between Native Population Counties and their non-Native counterparts is the primary lens through which we evaluate potential disparate effects of RALs on Native American EITC recipients. Using this framework, we conduct descriptive, bivariate, and multiple regression analyses.

A. Descriptive Analysis

Because we are concerned about the extent to which RALs reduce the impact of the nation's largest anti-poverty program in different geographic areas, we focus our analysis on EITC filers. This focus on EITC filers also controls for the degree to which income levels differ across counties, as we only compare households with similar earned income who qualify for this credit. For each state we compared the following:

- The share of EITC recipients in a county getting a RAL.
- The number of EITC recipients in a county getting a RAL.
- The cost of RALs to the community, based on an estimated average fee of $250 per RAL.[27]
- The number of EITC recipients who used a Volunteer Income Tax Assistance (VITA) program to file their tax return.

We use the ArcGIS version 9.3 geographic information system (GIS) software package to produce county level maps that illustrate the geographic distribution of RAL loans at the county level in 10 states.

In addition, we examine the use of RALs by EITC recipients who use paid tax preparers at the county level to gain an understanding of whether RALs may be more heavily marketed in reservation or OTSA counties. RALs are only available through the use of a paid tax preparer—a filer cannot access this product by preparing the return himself, or visiting a volunteer site. Because of this, looking at the RAL usage among filers using a paid tax preparer can more effectively measure

the "take-up rate" for this product among EITC recipients in Native communities. If those in Native counties opt to get RALs at higher rates, it may be because preparers push-market these products more aggressively to this population. It may also indicate the need for more education among community members so that tax filers are aware of other, lower cost options for accessing their EITC and tax refund.

We also produced detailed data tables for each of the 10 study states that provide descriptive data on a larger number of variables, including the total number of all tax filers who get a RAL, at the county level. These data tables are downloadable at www.firstnations.org.

B. Bivariate Correlation

Next, we undertake a bivariate correlation analysis to see whether a statistically significant relationship exists between the usage of RALs among EITC recipients and the share of a county's population that is Native American. We also examine two other possible explanatory variables to see if these other factors are associated with RAL usage: (1) the poverty rate and (2) the rural or urban nature of each county. The 2005 poverty rate data is from the Census Bureau's small area estimates and we measure the degree of urbanization by using the Economic Research Service's Rural-Urban Continuum Codes.[28] We hypothesize that the level of poverty, which gives an indication of the number of low-income households living in that county that could qualify for EITC, will be predictive of a larger number of households using a RAL. In addition, we hypothesize that–all else being equal–urban counties will have higher rates of RAL usage since it is more likely that paid tax preparers offering RALs will be located in urban areas with larger concentrations of tax filers, providing more opportunity to entice filers to use the product.

C. Multiple Regression

Finally, we conduct a multiple regression analysis using three independent variables–percent of a county's population that is Native American, percent of the total population in poverty, and degree of urbanization–to better understand the unique contribution of each in predicting RAL usage at the county level. To do this, we perform an OLS regression to determine the degree to which these variables have a relationship to the usage of RALs among EITC recipients. This allows us to examine the relative effect of the percent of Native American population in a county while controlling for the degree of urbanization and county poverty levels.[29]

FOOTNOTES

[24] http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx

[25] In this report we use the terms "Native American," "Native" and "Indian" interchangeably to refer to members of federally recognized tribes (including Alaska Native Villages). The U.S. Census collects self-reported data about tribal membership, and the measure we use in this report provides information on people who self identified as members of federally recognized tribal groups. Although this report does not include data on Alaska Native and Native Hawaiian communities, or members of state or unrecognized tribal groups, we recognize that these populations face similar issues in their communities and hope to be able to conduct similar research in these other Native communities in the future.

[26] For the purpose of this paper, we define Indian lands as land within the boundary of a reservation or Oklahoma Tribal Statistical Area.

[27] This amount includes an estimated $100 RAL fee and also an estimated $150 tax preparation fee. However, the true cost of RALs may be even higher in some communities and this should be taken into account when estimating the cost of RALs to Native communities and the potential positive impact of free tax preparation or VITA sites. The $250 is based on research conducted by Wu, C.C. & Fox, J.A. (2007 & 2008) in their 2007 and 2008 RAL reports.

[28] The Economic Research Service's Rural-Urban Continuum Codes classify metropolitan (metro) counties by the population size of their metro area, and nonmetropolitan (nonmetro) counties by degree of urbanization and adjacency to a metro area or areas. These codes are downloadable at http://www.ers.usda.gov/briefing/rurality/ruralurbcon/. A simple explanation of these codes can be found in Appendix A.

[29] The multiple regression results described in this paper are a first-cut look at this data to determine whether any of these three explanatory variables are significant in predicting RAL usage among EITC recipients when controlling for other factors. Full results are available online at www.firstnations.org. While the sample size of each regression is the number of counties in each state, and therefore relatively small, most states have a fairly normal distribution of the dependent variable, RAL usage by EITC filers by county. In Montana, North Dakota, and South Dakota, we perform a log transformation to account for a non-normal distribution of the dependent variable.

III. FINDINGS & DISCUSSION

Our research generated several important findings, which are listed here:

Finding 1: In all but one of the 10 states studied, EITC recipients in Native communities use RALs at higher rates than those in non-Native areas. In nine of the states we examined, counties with Native land and at least 10 percent of the total population identified as Native American had higher rates of RAL usage among EITC recipients than other counties in the state. In four states (Minnesota, Montana, North Dakota, and South Dakota), RAL usage is at least twice as high in Native Population Counties. For example, as shown in the Ratio column in Table 1, RAL usage by EITC recipients in Native Population Counties is five times greater than in other counties in South Dakota. RAL usage by EITC recipients in Native Population Counties is 12 times greater than in other counties in North Dakota. While some of the states we examined did not have counties with high concentrations of Native American population, in many cases, the highest RAL usage rates we observed were in counties with the largest concentration of Native Americans.

One exception to this trend is Washington State, where the RAL take-up rate is actually lower in Native Population Counties. In addition, we observe only a small difference in RAL usage by EITC recipients in Native and non-Native counties in New Mexico, which is likely due to high RAL usage in the impoverished Colonias region bordering Texas and Mexico which increases the overall rates in non-Native counties.

Table 1: Median Percent of EITC Filers Getting a RAL by State, 2005 Tax Year

State	Native Population County*	Non-Native County	Ratio
Arizona	37%	21%	1.76
Minnesota	28%	12%	2.33
Montana	41%	12%	3.42
New Mexico	28%	24%	1.17
North Dakota	48%	4%	12.00
Oklahoma	36%	28%	1.29
Oregon	33%	18%	1.83
South Dakota	60%	12%	5.00
Washington State	16%	20%	0.80
Wisconsin	20%	12%	1.67

**Counties are categorized as "Native Population Counties" if (1) some or all of a reservation or OSTA is within county boundaries, and (2) the Native American population makes up at least 10 percent of total county population.*

As described in the previous section, another way to examine RAL usage is to look at EITC recipients who use a paid tax preparer, since only those visiting a paid preparer will be offered a RAL. Looking at the data in this way shows us the usage of RALs among only those who were actually offered the product, giving us a better sense of the true take-up rate among those with the opportunity to receive a RAL. When comparing RAL take-up rates across Native and non-Native counties we see similar trends overall of higher RAL usage among EITC filers in Native counties. Table 2 provides a list of the top 10 Native Population Counties with the highest take-up rate of RALs. In all 10 of these counties, over seven out of 10 EITC filers using a paid tax preparer opted to take out a RAL. In three counties, over eight out of every 10 EITC filers using a paid preparer took out a RAL.

Table 2: Native Population Counties with the Highest RAL Usage Rates, 2005 Tax Year

County Name	Percent of EITC Filers Using a Paid Preparer Getting a RAL	Percent Native American Population	Reservation
1. Buffalo County, SD	91%	82%	Crow Creek
2. Todd County, SD	83%	86%	Rosebud
3. Shannon County, SD	81%	94%	Pine Ridge
4. Sioux County, ND	75%	85%	Standing Rock
5. Benson County, ND	73%	48%	Spirit Lake
6. Glacier County, MT	72%	62%	Blackfeet
7. Menominee County, WI	72%	81 %	Menominee
8. Big Horn County, MT	71%	60%	Crow and Northern Cheyenne
9. Dewey County, SD	71%	74%	Cheyenne River
10. Rolette County, ND	70%	73%	Turtle Mountain

Finding 2: RAL usage among EITC recipients rises as the share of Native Americans in the overall county population increases. When examining whether a relationship exists between the concentration of Native American population in a county and RAL usage among EITC recipients, we found that, with the exception of New Mexico and Washington State, there is a moderate to strong positive statistical correlation between the share of Native Americans residing in a county and the usage of RALs among EITC tax filers.

As shown in Table 3 below, higher numbers represent a stronger relationship (with zero representing no correlation and 1.0 representing a perfect correlation). So, of the eight states with a statistically significant positive relationship between the share of Native Americans in a county and RAL usage, Minnesota has the weakest relationship and Arizona has the strongest. There is no statistically significant relationship in New Mexico or Washington.

Table 3: Correlation of Percent Native American Population in a County and Use of RALs by EITC Filers, 2005 Tax Year

State	Bivariate Correlation
Arizona	0.85**
Minnesota	0.23*
Montana	0.72**
New Mexico	0.20 (not statistically significant)
North Dakota	0.78**
Oklahoma	0.63**
Oregon	0.43**
South Dakota	0.78**
Washington State	-.03 (not statistically significant)
Wisconsin	0.70**

**statistically significant at the 0.05 level*
***statistically significant at the 0.01 level*

Finding 3: The use of RALs by EITC recipients in Native communities is quite high, even in remote, rural locations. We used multiple regression to identify if any of the following variables would be a predictor of RAL usage among EITC filers: (1) the concentration of Native American population in a county; (2) the level of urbanization of a county; or (3) the county's poverty rate.[30] A higher concentration of Native Americans and the greater level of urbanization were both found to be predictors of higher rates RAL usage. This has interesting implications for our findings–Native counties are more likely to be rural, but also have higher rates of RAL usage. Many of the counties with the highest use of RALs among EITC filers using a paid preparer are very remote rural counties with reservations (see Table 4). Our findings suggest that patterns of RAL usage in some Native communities may be different than other rural areas, and perhaps signal a targeting of this particular population by paid tax preparers offering RALs.

Table 4: Native Population Counties with the Highest RAL Usage Rates, 2005 Tax Year

County Name	Percent of EITC Filers Using a Paid Preparer Getting a RAL	State Average – Percent of EITC Filers Getting a RAL	Urban-Rural Continuum Code (9 = most rural; 1 = most urban)	Percent Native American Population	Reservation
1. Buffalo County, SD	91%	29%	9 – Completely rural or less than 2,500 urban population, not adjacent to a metro area	82%	Crow Creek
2. Todd County, SD	83%	29%	9 – Completely rural or less than 2,500 urban population, not adjacent to a metro area	86%	Rosebud
3. Shannon County, SD	81%	29%	7 – Urban population of 2,500 to 19,999, not adjacent to a metro area	94%	Pine Ridge
4. Sioux County, ND	75%	19%	8 – Completely rural or less than 2,500 urban population, adjacent to a metro area	85%	Standing Rock
5. Benson County, ND	73%	19%	9 – Completely rural or less than 2,500 urban population, not adjacent to a metro area	48%	Spirit Lake
6. Glacier County, MT	72%	22%	7 – Urban population of 2,500 to 19,999, not adjacent to a metro area	62%	Blackfeet
7. Menominee County, WI	72%	18%	8 – Completely rural or less than 2,500 urban population, adjacent to a metro area	81%	Menominee
8. Big Horn County, MT	71%	22%	6 – Urban population of 2,500 to 19,999, adjacent to a metro area	60%	Crow and Northern Cheyenne
9. Dewey County, SD	71%	29%	9 – Completely rural or less than 2,500 urban population, not adjacent to a metro area	74%	Cheyenne River
10. Rolette County, ND	70%	19%	9 – Completely rural or less than 2,500 urban population, not adjacent to a metro area	73%	Turtle Mountain

Finding 4: Significant EITC funds are being drained from Native communities by RAL fees. Large shares of EITC funds, which were intended to help low-to-moderate income working families make ends meet, are being reduced by the usage of RALs in Native Population Counties. Even though some counties have a small population, the overall impact is still significant. As noted earlier, the average cost of a RAL for the 2005 tax year was $100, in addition to an average fee of $150 for paid tax preparation. Overall, on average $5 out of every $100 of EITC refunds are diverted from these Native counties to pay for RALs and tax preparation. Table 5 below details the aggregate losses of EITC funds to this product in Native Population Counties for each state. These figures may actually underestimate the cost to Native communities as some tax preparers charge more than $250 to process a tax return and a RAL.

Table 5: EITC Funds Drained by RAL Fees in Native Population Counties, 2005 Tax Year

	Total EITC Refunds Owed to Recipients in Native Population Counties	Number of RALs Made to EITC Filers in Native Population Counties	Cost of RALs to Native Population Counties ($100 average fee per RAL)	Cost of RALs and Tax Preparation to Native Population Counties (estimated at $250 – includes $100 average fee per RAL and $150 average tax prep fee)	Share of Total EITC Refunds Going to Pay for RAL and Tax Preparation
Arizona	$79,638,708	15,641	$1,564,100	$3,910,250	5%
Minnesota	$13,170,161	2,155	$215,500	$538,750	4%
Montana	$24,041,275	5,441	$544,100	$1,360,250	6%
New Mexico	$93,967,333	10,054	$1,005,400	$2,513,500	3%
North Dakota	$8,600,343	2,755	$275,500	$688,750	8%
Oklahoma	$251,848,612	47,339	$4,733,900	$11,834,750	5%
Oregon	$3,632,898	635	$63,500	$158,750	4%
South Dakota	$18,521,831	5,528	$560,800	$1,402,000	8%
Washington State	$7,606,718	808	$80,800	$202,000	3%
Wisconsin	$7,473,963	986	$98,600	$246,500	3%

The findings for each of the 10 states in our analysis are available in further detail below.

FOOTNOTES

[30] Our analysis corroborated earlier studies that found that poverty was a predictor of RAL usage. We found that high poverty levels were predictive of RAL usage at the county level in all states but Washington State. However, because poverty levels were highly correlated to the percent Native American population in many states, we did not include this variable in the multivariate analysis in those states because of problems with multicollinearity.

IV. STATE PROFILES

A. Arizona

Arizona is home to 21 reservations,[31] which are located in 12 of its 15 counties, including the two most populous counties—Maricopa and Pima—home to the Phoenix and Tucson metropolitan areas, respectively. Of these 12 counties with reservations, six have a significant Native American population, making up at least 10 percent of the total county population.

On average, a little over 26 percent of EITC recipients in the state received a RAL in 2005. However, this take-up rate is dramatically higher in many counties with reservations. We examined the use of RALs for each county in Arizona (see Table A-1 and Map A-1), and found that the nine counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. The top two counties by RAL usage, Apache and Navajo, are also the counties with the highest share of Native American population. EITC recipients in each of these counties lose over a million dollars each year in RAL-associated fees. The county with the third largest share of Native American population, Coconino, loses nearly a million on RAL fees among its EITC filers.

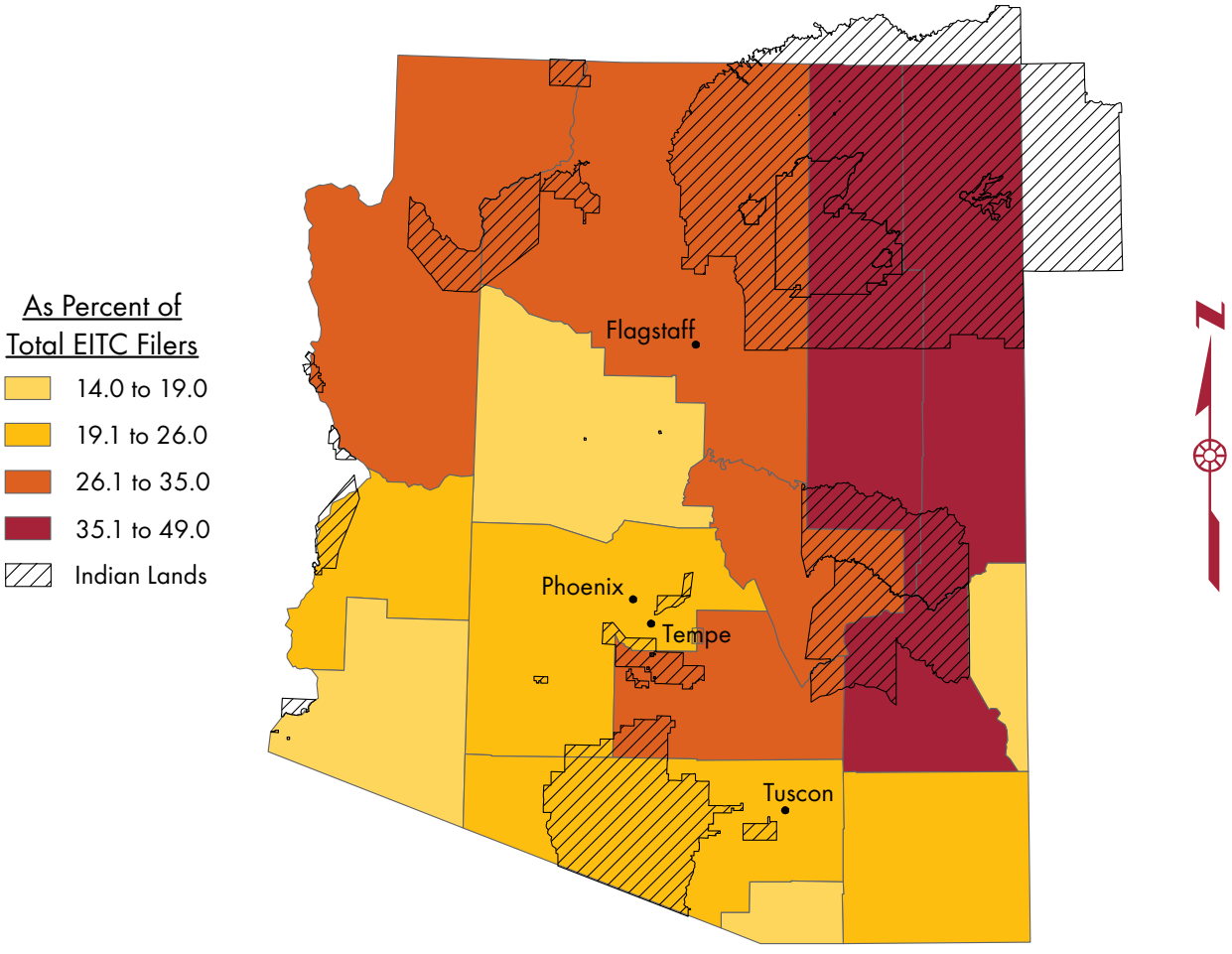
Table A-1: Arizona's Counties with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Getting RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Apache	49%	77%	Yes – Fort Apache, Navajo, Zuni	4,476	$447,600	$1,119,000	120
2	Navajo	40%	48%	Yes – Fort Apache, Hopi, Navajo	4,599	$459,900	$1,149,750	109
3	Graham	38%	15%	Yes – San Carlos Apache	1,307	$130,700	$326,750	35
4	Coconino	35%	29%	Yes – Havasupai, Hopi, Hualapai, Kaibab, Navajo	3,816	$381,600	$954,000	224

Table A-1: (cont'd)

Rank	County	Percent of EITC Filers Getting RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
5	Gila	30%	14%	Yes – Fort Apache, San Carlos Apache, Tonto Apache	1,100	$110,000	$275,000	81
6	Pinal	30%	8%	Yes – Gila River, Salt River Pima Maricopa, San Carlos Apache, Tohono O'odham	5,436	$543,600	$1,359,000	266
7	Mohave	29%	3%	Yes – Fort Mohave, Hualapai, Kaibab	4,273	$427,300	$1,068,250	162
8	Maricopa	26%	2%	Yes – Fort McDowell, Gila River, Salt River Pima Maricopa, Tohono O'odham	53,457	$5,345,700	$13,364,250	4,081
9	Pima	25%	4%	Yes – Pascua Yaqui, Tohono O'odham	16,781	$1,678,100	$4,195,250	2,447
10	Cochise	21%	2%	No	2,169	$216,900	$542,250	432
11	La Paz	21%	14%	Yes – Colorado River	343	$34,300	$85,750	121
12	Yavapai	19%	2%	Yes – Hualapai, Yavapai-Apache, Yavapai-Prescott	2,353	$235,300	$588,250	495
13	Greenlee	18%	3%	No	90	$9,000	$22,500	-
14	Yuma	14%	2%	Yes – Cocopah, Fort Yuma	3,126	$312,600	$781,500	535
15	Santa Cruz	14%	1%	No	854	$85,400	$213,500	366

Map A-1: Use of Refund Anticipation Loans in Arizona, 2005



In counties with at least one reservation within its borders and Native Americans making up at least 10 percent of the population (labeled "Native Population Counties" in Table A-2 below), we find that tax filers claiming the EITC are almost twice as likely as non-EITC claimants to get a RAL. In these Native Population Counties, a median of 37 percent of EITC recipients get a RAL, in contrast to just 21 percent in the other counties.

Similarly, a bivariate correlation analysis also reveals that higher shares of Native Americans are positively correlated with higher shares of EITC tax filers using RALs at the county level, and that this relationship is highly significant. Higher rates of RAL usage are also positively correlated with areas with higher poverty.[32] There is no statistically significant correlation between how rural a county is and the use of RALs. Multivariate analysis reveals that the proportion of a county's population that is Native American is a good predictor of use of RALs, even controlling for the rural nature of a county.

Table A-2: Percent of Total ETIC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	21%	9	6%
Yes	37%	6	10%
Total	26%	15	10%

*Correlation of % Native American population and % EITC filer use of RALs: .85***

** Correlation significant at the 0.01 level*

* *Defined as a Native Population County if some of all of a reservation is within county boundaries, and if Native American population is greater than 10 percent of total population.*

Another way to look at the data in Arizona is to examine the percent of EITC filers in a county who use a paid preparer and choose to take out a RAL. These EITC recipients are the only ones who are actually offered RALs, since only paid preparers give access to these loans. Narrowing the analysis to only EITC filers using paid preparers in effect provides the "take-up rate" for RALs, and may provide an indication of how much RALs are being marketed to EITC filers in a county. It may also indicate the need for financial education to help people avoid RALs.

A similar pattern emerges when we explore the RAL take-up rate among EITC filers using a paid tax preparer. Of the seven counties with the highest take-up rate, all are home to reservations and six have a substantial Native American population (at least 10 percent of the total population). Table A-3 also includes county level data on urban population, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). Once again, Apache and Navajo counties, two fairly rural counties, are near the top of the rankings. In Apache County, six out of 10 EITC filers who use a paid preparer opted to take out a RAL in 2005.

Table A-3: Arizona's Counties with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Apache	60%	77%	Yes – Fort Apache, Navajo, Zuni	6
2	Graham	51%	15%	Yes – San Carlos Apache	6
3	Navajo	51%	48%	Yes – Fort Apache, Hopi, Navajo	4
4	Coconino	48%	29%	Yes – Havasupai, Hopi, Hualapai, Kaibab, Navajo	3
5	Pinal	44%	8%	Yes – Gila River, Salt River Pima Maricopa, San Carlos, Tohono O'odham	1
6	Gila	41%	14%	Yes – Fort Apache, San Carlos Apache, Tonto Apache	4
7	La Paz	40%	14%	Yes – Colorado River	6
8	Mohave	40%	3%	Yes – Fort Mohave, Hualapai, Kaibab	4
9	Pima	38%	4%	Yes – Pascua Yaqui, Tohono O'odham	2
10	Maricopa	37%	2%	Yes – Fort McDowell, Gila River, Salt River Pima Maricopa, Tohono O'odham	1
11	Cochise	36%	2%	No	4
12	Yavapai	29%	2%	Yes – Hualapai, Yavapai-Apache, Yavapai-Prescott	3
13	Greenlee	25%	3%	No	7
14	Santa Cruz	20%	1%	No	4
15	Yuma	20%	2%	Yes – Cocopah, Fort Yuma	3

B. Minnesota

Minnesota is home to 11 federally recognized tribal governments and their reservations which are located in 11 of Minnesota's 87 counties. Of these 11 counties, three have a significant Native American population, making up at least 10 percent of the total population.

On average, a little over 15% of all EITC filers in the state of Minnesota received a RAL in 2005. However, this take-up rate is much higher in many counties with reservations. We examined the use of RALs for each county in Minnesota (see Table B-1 and Map B-1), and found that five of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land.

The cost of RALs to the economies of reservation counties in Minnesota can be significant – in Beltrami County, where part of the Red Lake Indian Reservation is located, 1,472 EITC filers applied for a RAL at an estimated total aggregate cost to the community of $368,000 in 2005, and in Cass County, where the Leech Lake Indian Reservation is located, 653 EITC filers applied for a RAL for an estimated total aggregate cost to the community of $163,250.

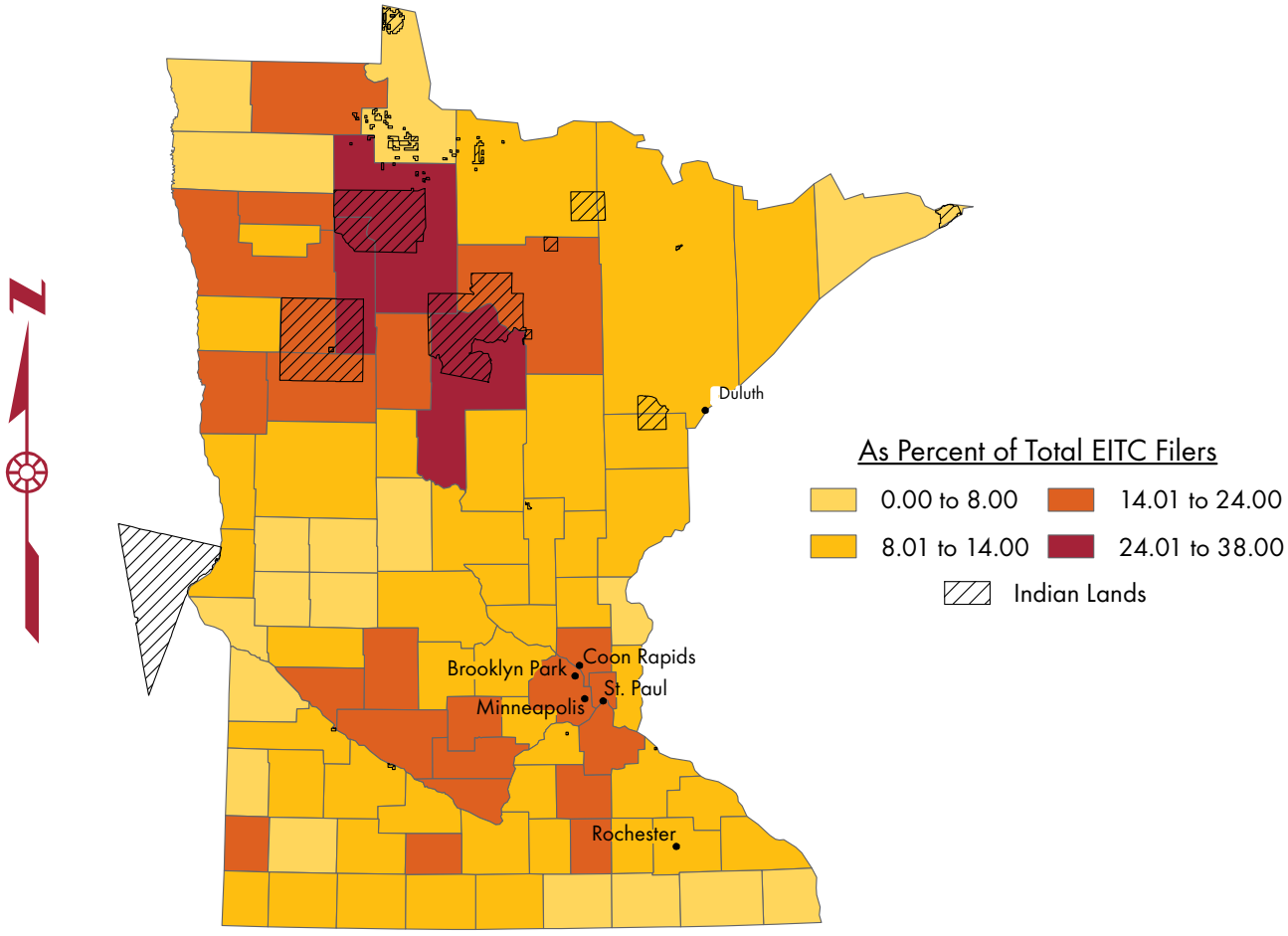
Table B-1: Minnesota's Counties (Top 25) with the Highest Percentage of EITC Filers Taking Out RALs, Tax Year 2005

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	McLeod	38%	0%	No	226	$22,600	$56,500	0
2	Beltrami	37%	21%	Yes – Red Lake	1472	$147,200	$368,000	173
3	Cass	28%	12%	Yes – Leech Lake	653	$65,300	$163,250	63
4	Clearwater	24%	9%	Yes – White Earth & Red Lake	190	$19,000	$47,500	12
5	Martin	21%	0%	No	397	$39,700	$99,250	47
6	Kandiyohi	21%	0%	No	601	$60,100	$150,250	100
7	Renville	20%	1%	No	199	$19,900	$49,750	1
8	Ramsey	20%	1%	No	5698	$569,800	$1,424,500	1461
9	Hennepin	20%	1%	No	10929	$1,092,900	$2,732,250	2744

Table B-1: (cont'd)

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
10	Pipestone	19%	1%	No	114	$11,400	$28,500	20
11	Becker	19%	8%	Yes – White Earth	413	$41,300	$103,250	70
12	Sherburne	19%	0%	No	166	$16,600	$41,500	15
13	Chippewa	19%	1%	No	161	$16,100	$40,250	15
14	Watonwan	18%	0%	No	141	$14,100	$35,250	15
15	Polk	18%	1%	No	388	$38,800	$97,000	68
16	Roseau	17%	1%	No	164	$16,400	$41,000	18
17	Pennington	17%	1%	No	167	$16,700	$41,750	58
18	Steele	17%	0%	No	342	$34,200	$85,500	66
19	Clay	16%	1%	No	485	$48,500	$121,250	168
20	Nicollet	15%	0%	No	232	$23,200	$58,000	89
21	Anoka	15%	1%	No	2060	$206,000	$515,000	713
22	Hubbard	15%	2%	No	229	$22,900	$57,250	73
23	Rice	15%	0%	No	401	$40,100	$100,250	138
24	Dakota	15%	0%	No	2095	$209,500	$523,750	824
25	Itasca	15%	3%	Yes – Leech Lake	472	$47,200	$118,000	137

Map B-1: Use of Refund Anticipation Loans in Minnesota, 2005



In counties with at least one reservation within its borders and Native Americans accounting for at least 10% of the population (labeled "Native Population Counties" in Table B-2 below), we find that tax filers claiming the EITC are approximately 2.3 times as likely to use a RAL than residents of non-reservation counties: A median 28 percent of EITC filers get RALs in Native Population Counties, while the median rate is only 12 percent for other counties. However, there are only three counties in Minnesota with a Native American population more than 10 percent of the total, and one of these counties has a very low use of RALs by EITC filers (Mahnomen County).

The bivariate correlation between the percent Native American population in a county and the percent of EITC filers using a RAL is .23, and is statistically significant at the .05 level. This indicates that there is a positive, but weak, statistical relationship in the state of Minnesota between the percentage of Native Americans in a county and the use of RALs by EITC filers.[33] However, multivariate analysis reveals that the degree of urbanization of a county is also a predictor of the use of RALs for EITC filers in a county.[34]

Table B-2: Percent of EITC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
Native Population County?*	Median	N	Std. Deviation
No	12%	84	5%
Yes	28%	3	16%
Total	12%	87	6%

*Correlation of % Native American population and % EITC filer use of RALs: .23***
*** Correlation is significant at the 0.05 level (2-tailed).*

** Defined as a Native Population County if some or all of a reservation is within county boundaries, and if Native American population is greater than 10% of total population.*

A similar pattern emerges when we see the RAL take-up rate among EITC filers using a paid tax preparer. Table B-3 provides these data on a county-by-county basis, and reveals that four counties from Table B-1 that have Indian reservations in their boundaries are still in the top 25 counties in Minnesota ranked by percentage of EITC filers using a paid preparer who opt to take out a RAL. Table B-3 also includes county level data on urbanization, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). In fact, of the 30 counties in Minnesota that have an urban population of 20,000 or more, 12 are included in the list of the top 25 counties with the highest percentage of EITC filers using a paid preparer taking out a RAL, most notably the counties that contain the Minneapolis metropolitan area. The top 10 counties in Table B-3, however, still have a disproportionate share of reservation counties (including some very rural ones). Residents of Beltrami County appear to have among the highest usage of RALs for EITC filers using a paid preparer, with over five out of 10 EITC filers in the county who use a paid preparer opting to take out a RAL.

Table B-3: Minnesota's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using Paid Preparers Getting a RAL	Percent Native	Reservation Part of County?	Number of EITC Filers Receiving a RAL
1	McLeod	52%	0%	No	6
2	Beltrami	51%	21%	Yes – Red Lake	7
3	Cass	39%	12%	Yes – Leech Lake	9
4	Ramsey	32%	1%	No	1
5	Hennepin	31%	1%	No	1
6	Clearwater	30%	9%	Yes – Red Lake	8
7	Becker	29%	8%	Yes – White Earth	6
8	Kandiyohi	28%	0%	No	4
9	Martin	28%	0%	No	7
10	Clay	28%	1%	No	3
11	Sibley	26%	0%	No	8
12	Polk	26%	1%	No	3
13	Pennington	25%	1%	No	6
14	Watonwan	25%	0%	No	7
15	Renville	25%	1%	No	9
16	Dakota	24%	0%	No	1
17	Sherburne	24%	0%	No	1
18	Anoka	24%	1%	No	1
19	Steele	24%	0%	No	5
20	Chippewa	23%	1%	No	7
21	Hubbard	23%	2%	No	7
22	Nicollet	23%	0%	No	5
23	Rice	23%	0%	No	4
24	Pipestone	23%	1%	No	6
25	Blue Earth	23%	0%	No	5

C. Montana

Montana is home to seven federally recognized tribal governments and their reservations which are located in 13 of Montana's 56 counties. Nine counties in Montana have both a reservation within its boundaries and also a Native American population of 10 percent or more.

On average, 22 percent of all the EITC filers in the state of Montana received a RAL in 2005. However, this take-up rate is dramatically higher in many counties with reservations. We examined the use of RALs for each county in Montana (see Table C-1 and Map C-1), and found that 11 of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. The two reservation counties that did not make the top 25 list of EITC RAL users are Sanders and Choteau Counties, which have less than 10% Native American population according to the U.S. Census (they contain only a small amount of the Flathead and Rocky Boys reservations). All seven reservations in the state are represented in the list of the 25 counties with the highest percentage of EITC filers taking out RALs. The cost to the local economies of these counties is significant – in Yellowstone County alone, where part of the Crow reservation is located, 2,393 EITC filers applied for a RAL in 2005 – at an estimated total aggregate cost of $598,250 to the citizens of that county. In Glacier County, where the Blackfeet reservation is located, 1,192 EITC filers applied for a RAL in 2005, at an estimated total aggregate cost of $298,000 to that county.

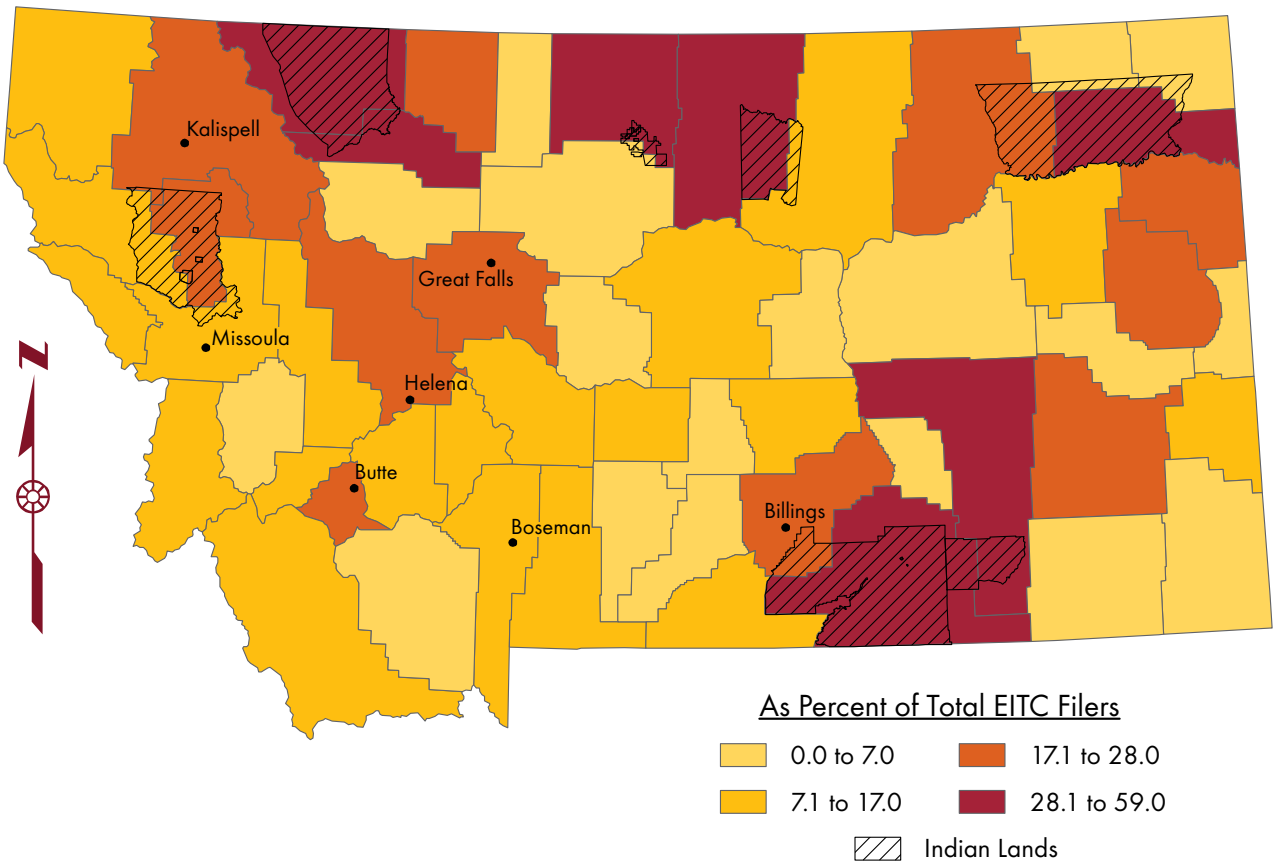
Table C-1: Montana's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Glacier	59%	62%	Yes – Blackfeet	1,192	$119,200	$298,000	14
2	Big Horn	58%	60%	Yes – Crow and Northern Cheyenne	1,084	$108,400	$271,000	0
3	Roosevelt	54%	56%	Yes – Fort Peck	764	$76,400	$191,000	0
4	Rosebud	44%	32%	Yes – Northern Cheyenne	425	$42,500	$106,250	0
5	Blaine	41%	45%	Yes – Fort Belknap	336	$33,600	$84,000	0

Table C-1: (cont'd)

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
6	Hill	40%	17%	Yes – Rocky Boy	652	$65,200	$163,000	17
7	Pondera	36%	14%	Yes – Blackfeet	208	$20,800	$52,000	0
8	Lake	28%	24%	Yes – Flathead/ Salish and Kootenai	769	$76,900	$192,250	0
9	Yellow-stone	25%	3%	Yes – Crow	2,393	$239,300	$598,250	167
10	Silver Bow	24%	2%	No	600	$60,000	$150,000	56
11	Cascade	24%	4%	No	1,542	$154,200	$385,500	488
12	Custer	24%	1%	No	224	$22,400	$56,000	0
13	Toole	21%	3%	No	62	$6,200	$15,500	0
14	Lewis and Clark	20%	2%	No	808	$80,800	$202,000	151
15	Valley	19%	9%	Yes – Fort Peck	111	$11,100	$27,750	0
16	Richland	19%	1%	No	112	$11,200	$28,000	0
17	Flathead	18%	1%	No	1,173	$117,300	$293,250	27
18	Dawson	18%	1%	No	94	$9,400	$23,500	10
19	Missoula	17%	2%	No	1,283	$128,300	$320,750	216
20	Lincoln	16%	1%	No	253	$25,300	$63,250	0
21	Mineral	16%	2%	No	58	$5,800	$14,500	0
22	Phillips	16%	8%	Yes – Fort Belknap	54	$5,400	$13,500	0
23	Deer Lodge	15%	2%	No	111	$11,100	$27,750	48
24	Ravalli	15%	1%	No	451	$45,100	$112,750	31
25	Broadwa-ter	15%	1%	No	52	$5,200	$13,000	0

Map C-1: Use of Refund Anticipation Loans in Montana, 2005



Residents of Native Population Counties that apply for an EITC refund are 3.4 times more likely to use a RAL than residents of non-reservation counties (see table C-3): A median 41 percent of EITC filers get RALs in Native Population Counties, while the median rate is only 12 percent for other counties. Additionally, the bivariate correlation between the percent Native American population in a county and the percent of EITC filers using a RAL is .72, and is statistically significant at the .01 level. This indicates that there is a strong positive statistical relationship in the state of Montana between the percent Native American population in a county and the use of RALs by EITC filers. However, multivariate analysis reveals that the degree of rurality (or urbanization) of a county and the poverty rate are also a good predictor of the use of RALs for EITC filers.[35] Several of the counties with the highest use of RALs are remote rural counties that have a high Native American population.

Table C-2: Percent of Total EITC Filers Getting a RAL

Native Population County?*	Median Percent of EITC Filers Getting a RAL	N	Std. Deviation
No	12%	47	8%
Yes	41%	9	17%
Total	13%	56	15%

*Correlation of % Native American population and % EITC filer use of RALs: .72***

*** Correlation is significant at the 0.01 level (2-tailed).*

** Defined as a Native Population County if some or all of a reservation is within county boundaries, and if Native American population is greater than 10% of total population.*

A similar pattern emerges when we explore the RAL take-up rate among EITC filers using a paid tax preparer. Of the top seven counties in Montana with the highest take-up rate, all are home to reservations and six have a substantial Native American population (at least 10 percent of the total population). Table C-3 provides this data on a county-by-county basis, and reveals that the 11 counties from Table C-1 that have Indian reservations in their boundaries are still in the top 25 counties in Montana ranked by percentage of EITC filers using paid tax preparers getting RALs. The use of RALs in these counties is quite high – in Glacier and Big Horn Counties, over 7 out of every 10 EITC filer using a paid preparer opts to take out a RAL. This may indicate that RALs are being heavily marketed in this area, or that residents are not aware of other low-cost options for accessing the EITC.

Table C-3 also includes county level data on urbanization, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). In fact, of the eight counties in Montana that have an urban population of 20,000 or more, six are included in the list of the top 25 counties using a Refund Anticipation Loan. Counties that are a part of the Missoula, Billings, Butte, Kalispell, Helena, and Great Falls areas are included in the list. The county that contains Bozeman did not make it to the list of top 25 counties. This list of the top 10 counties in Table C-3, however, still has a disproportionate share of reservation counties, and reservation counties appear to have among the highest usage of RALs for EITC filers using a paid preparer, despite the fact that many are located in extremely rural areas.

Table C-3: Montana's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Using a Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Glacier	72%	62%	Yes – Blackfeet	7
2	Big Horn	71%	60%	Yes – Crow and Northern Cheyenne	6
3	Roosevelt	66%	56%	Yes – Fort Peck	7
4	Blaine	58%	45%	Yes – Fort Belknap	9
5	Hill	56%	17%	Yes – Rocky Boy	7
6	Rosebud	55%	32%	Yes – Northern Cheyenne	9
7	Pondera	44%	14%	Yes – Blackfeet	7
8	Cascade	44%	4%	No	3
9	Lake	43%	24%	Yes – Flathead/ Salish and Kootenai	6
10	Silver Bow	39%	2%	No	5
11	Yellowstone	37%	3%	Yes – Crow	3
12	Custer	35%	1%	No	7
13	Lewis and Clark	34%	2%	No	5
14	Toole	33%	3%	No	7
15	Missoula	30%	2%	No	3
16	Mineral	27%	2%	No	8
17	Valley	27%	9%	Yes – Fort Peck	7
18	Flathead	26%	1%	No	5
19	Dawson	26%	1%	No	7
20	Beaverhead	26%	1%	No	7
21	Lincoln	25%	1%	No	7
22	Richland	25%	1%	No	7
23	Phillips	24%	8%	Yes – Fort Belknap	9
24	Deer Lodge	24%	2%	No	7
25	Broadwater	23%	1%	No	9

D. North Dakota

North Dakota is home to four federally recognized tribal governments and their reservations which are located in eight of the state's 53 counties. Six counties have both a reservation within its boundaries and a Native American population of 10 percent or more.

On average, 19 percent of EITC recipients in the state received a RAL in 2005. However, this take-up rate is dramatically higher in many counties with reservations. We examined the use of RALs for each county in North Dakota (see Table D-1 and Map D-1), and found that eight of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. All four reservations in the state are represented in the list of the 25 counties with the highest percentage of EITC filers taking out RALs. The cost to the local economies of these counties is significant – in Rolette County alone, where the Turtle Mountain reservation is located, 1,203 EITC filers applied for a RAL in 2005 – at an estimated total aggregate cost of $300,750 to the citizens of that county.

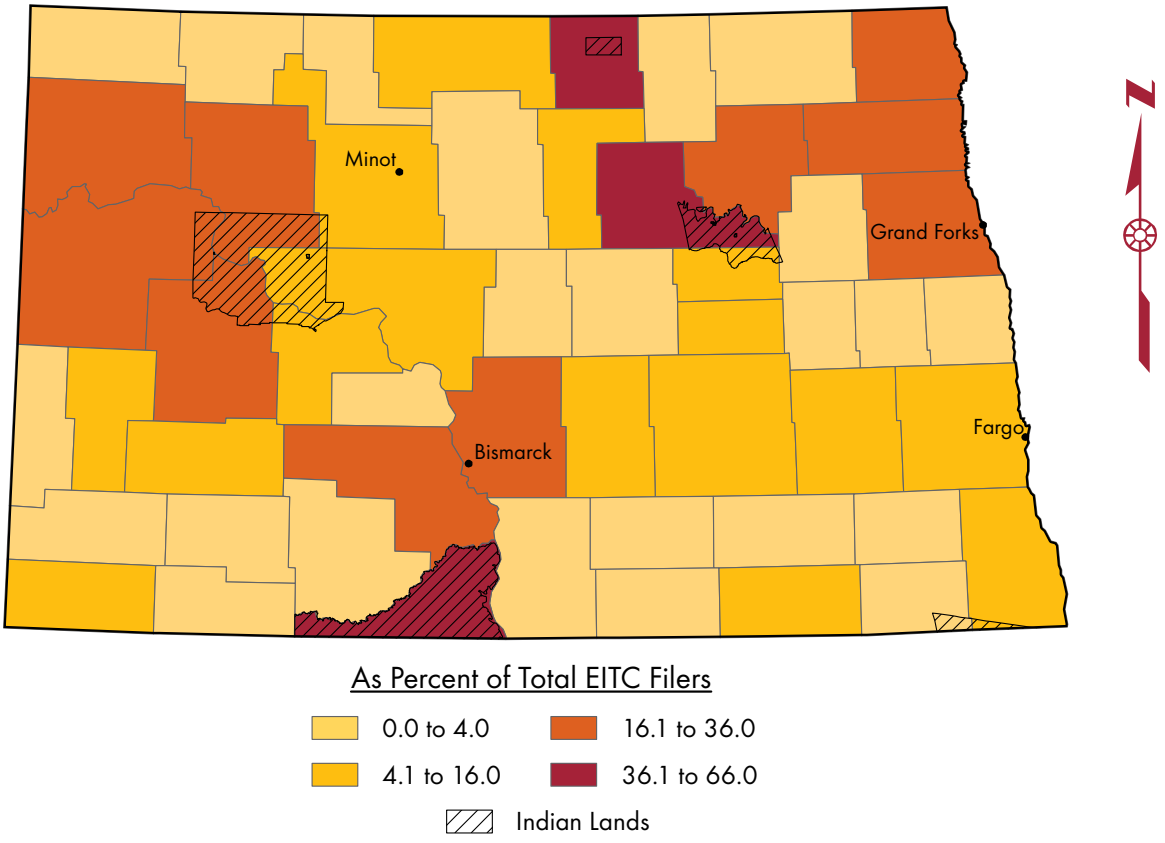
Table D-1: North Dakota's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Sioux	66%	85%	Yes – Standing Rock	439	$43,900	$109,750	17
2	Benson	64%	48%	Yes – Spirit Lake	634	$63,400	$158,500	0
3	Rolette	60%	73%	Yes – Turtle Mountain	1203	$120,300	$300,750	22
4	Mountrail	36%	30%	Yes – Fort Berthold	265	$26,500	$66,250	121
5	McKenzie	31%	21%	Yes – Fort Berthold	106	$10,600	$26,500	0
6	Ramsey	30%	5%	Yes – Spirit Lake	245	$24,500	$61,250	22
7	Walsh	22%	1%	No	164	$16,400	$41,000	0
8	Dunn	20%	12%	Yes – Fort Berthold	44	$4,400	$11,000	1

Table D-1: (cont'd)

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
9	Morton	19%	2%	No	312	$31,200	$78,000	42
10	Pembina	19%	1%	No	79	$7,900	$19,750	0
11	Grand Forks	19%	2%	No	664	$66,400	$166,000	266
12	Williams	18%	4%	No	243	$24,300	$60,750	13
13	Burleigh	18%	3%	No	694	$69,400	$173,500	193
14	Ward	16%	2%	No	625	$62,500	$156,250	354
15	Cass	15%	1%	No	1042	$104,200	$260,500	302
16	Stutsman	14%	1%	No	187	$18,700	$46,750	59
17	Stark	14%	1%	No	194	$19,400	$48,500	60
18	Richland	13%	2%	No	113	$11,300	$28,250	10
19	McLean	11%	6%	Yes – Fort Berthold	64	$6,400	$16,000	0
20	Mercer	10%	2%	No	32	$3,200	$8,000	0
21	Pierce	10%	1%	No	31	$3,100	$7,750	0
22	Bottineau	9%	1%	No	36	$3,600	$9,000	0
23	Foster	9%	0%	No	18	$1,800	$4,500	0
24	Bowman	9%	0%	No	14	$1,400	$3,500	0
25	Barnes	8%	1%	No	56	$5,600	$14,000	0

Map D-1: Use of Refund Anticipation Loans in North Dakota, 2005



In Native Population Counties, we find that tax filers claiming the EITC are almost 12 times as likely to get a RAL (see Table D-2): A median 48 percent of EITC filers in Native Population Counties get RALs, while the median rate is only 4 percent for other counties. Additionally, the bivariate correlation between the percent Native American population in a county and the percent of EITC filers getting a RAL is .78 and significant at the .01 level. This indicates that there is a strong positive statistical relationship in the state of North Dakota between the percent Native American population in a county and the use of RALs by EITC filers. Multivariate analysis reveals that the degree of rurality (or urbanization) of a county and the poverty rate are also predictors of the use of RALs for EITC filers.[36]

Table D-2: Percent of Total EITC Filers Getting A RAL

Native Population County?*	Median	N	Std. Deviation
No	4%	47	8%
Yes	48%	6	20%
Total	6%	53	16%

*Correlation of % Native American population and % EITC filer use of RALs: .78***
*** Correlation is significant at the 0.01 level (2-tailed).*

** Defined as a Native Population County if some or all of a reservation is within county boundaries, and if Native American population is greater than 10% of total population.*

A similar pattern emerges when we examine the RAL take-up rate among EITC filers using a paid tax preparer. Table D-3 provides this data on a county-by-county basis, and reveals that the top six counties rated by use of RALs for EITC filers using a paid preparer are counties with reservations in their borders. The use of RALs by filers in Sioux, Benson, and Rolette counties is especially high, with over seven out of every 10 EITC filers using a paid preparer opting for a RAL. This may indicate that RALs are being heavily marketed in this area, or that residents are not aware of other low-cost options for accessing the EITC.

Table D-3 also includes county level data on level of urbanization, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). In fact, the top 14 counties in North Dakota that have some urban population are also included in the list of the top 25 counties for use of RALs. The list of top 10 counties in Table D-3, however, still has a disproportionate share of reservation counties, and reservation counties appear to have among the highest usage of RALs for EITC filers using a paid preparer, despite their highly rural location.

Table D-3: North Dakota's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Using a Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Sioux	76%	85%	Yes – Standing Rock	8
2	Benson	73%	48%	Yes – Spirit Lake	9
3	Rolette	70%	73%	Yes – Turtle Mountain	9
4	Mountrail	52%	30%	Yes – Fort Berthold	9
5	Ramsey	45%	5%	Yes – Spirit Lake	7
6	McKenzie	41%	21%	Yes – Fort Berthold	9
7	Grand Forks	37%	2%	No	3
8	Ward	33%	2%	No	5
9	Burleigh	31%	3%	No	3
10	Walsh	31%	1%	No	6
11	Pembina	30%	1%	No	9
12	Morton	29%	2%	No	3
13	Cass	27%	1%	No	3
14	Williams	25%	4%	No	7
15	Dunn	24%	12%	Yes – Fort Berthold	9
16	Stutsman	21%	1%	No	7
17	Richland	19%	2%	No	6
18	Stark	19%	1%	No	7
19	Mercer	16%	2%	No	6
20	McLean	16%	6%	Yes – Fort Berthold	8
21	Billings	13%	0%	No	9
22	Foster	13%	0%	No	9
23	Bottineau	13%	1%	No	9
24	Barnes	12%	1%	No	6
25	Pierce	12%	1%	No	7

E. New Mexico

New Mexico is home to 23 Native American reservations and pueblos, which are located across 13 of its 33 counties. In six counties–Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Socorro–Native Americans make up at least 10 percent of the total population.

On average, 25 percent of EITC recipients in New Mexico received a RAL in 2005. We examined the use of RALs for each county in New Mexico (see Table E-1 and Map E-1). Unlike other states in this analysis, however, a relationship does not appear to exist between RAL usage in a county and the presence of reservations or Native American population. While Cibola County does have several Native communities and the highest usage of RALs among EITC recipients, other counties with reservations or pueblos such as Sandoval and San Juan have far lower RAL usage rates. In some counties with large Native American communities, however, the cost to the local economy is still significant – in Cibola County, EITC filers spent $314,000 on RALs and tax preparation in 2005, and in McKinley County, EITC filers spent $1,226,750.

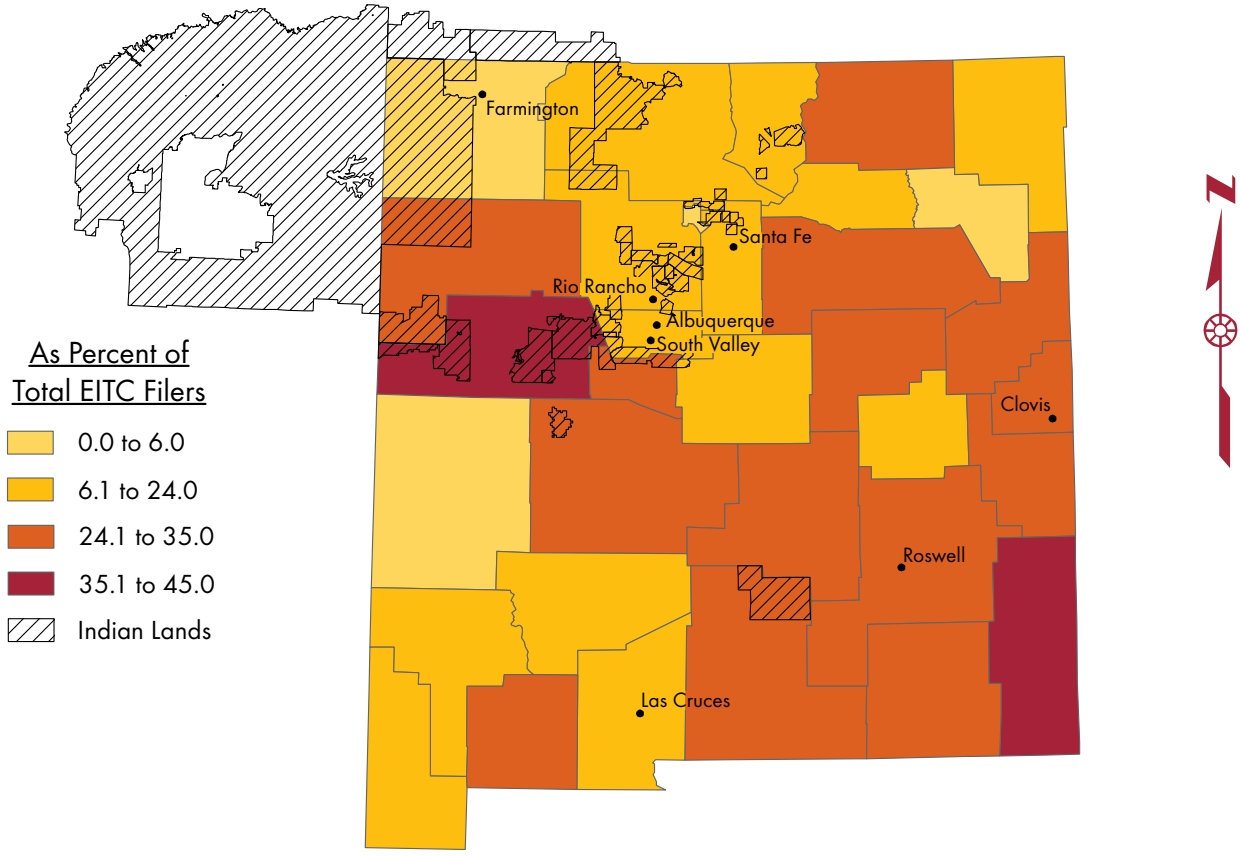
Table E-1: New Mexico's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Cibola	45%	40%	Yes – Acoma, Laguna, Navajo, Zuni	1,256	$125,600	$314,000	2
2	Grant	17%	2%		486	$48,600	$121,500	144
2	Lea	39%	2%		2,207	$220,700	$551,750	133
3	Eddy	35%	2%		1,699	$169,900	$424,750	24
4	McKinley	34%	74%	Yes – Navajo, Zuni	4,907	$490,700	$1,226,750	283
5	Curry	33%	2%		1,713	$171,300	$428,250	393
6	Chaves	33%	2%		2,358	$235,800	$589,500	44
7	Socorro	32%	12%	Yes – Navajo	679	$67,900	$169,750	11
8	Colfax	31%	2%		420	$42,000	$105,000	0
9	San Miguel	30%	3%		1,026	$102,600	$256,500	44

Table E-1: (cont'd)

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
10	Valencia	29%	4%	Yes – Isleta, Laguna	1,812	$181,200	$453,000	166
11	Guadalupe	29%	1%		169	$16,900	$42,250	0
12	Otero	29%	6%	Yes – Mescalero	1,713	$171,300	$428,250	452
13	Roosevelt	29%	2%		602	$60,200	$150,500	114
14	Quay	27%	2%		291	$29,100	$72,750	154
15	Luna	26%	2%		1,011	$101,100	$252,750	16
16	Lincoln	26%	3%	Yes – Mescalero	532	$53,200	$133,000	12
17	Dona Ana	24%	2%		5,834	$583,400	$1,458,500	1137
18	Rio Arriba	24%	14%	Yes – Jicarilla Apache, San Juan, Santa Clara	894	$89,400	$223,500	168
19	Bernalillo	24%	5%	Yes – Isleta, Laguna, Navajo, Sandia	12,078	$1,207,800	$3,019,500	3915
20	Sandoval	22%	17%	Yes – Conchiti, Jemez, Jicarilla Apache, Laguna, Navajo, Sandia, San Felipe, San Ildefonso, Santa Ana, Santa Clara, Santa Domingo, Zia	2,015	$201,500	$503,750	408
21	Torrance	22%	3%	Yes – Isleta	366	$36,600	$91,500	39
22	Sierra	21%	2%		234	$23,400	$58,500	13
23	Mora	19%	2%		122	$12,200	$30,500	10
24	Santa Fe	19%	4%	Yes – Conchiti, Nambe, Pojoaque, San Ildefonso, Santa Clara, Santa Domingo, Tesuque	2,043	$204,300	$510,750	766
25	DeBaca	19%	2%		37	$3,700	$9,250	0

Map E-1: Use of Refund Anticipation Loans in New Mexico, 2005



We compared the usage rates of RALs in Native Population Counties to other counties. Following the trend in Table E-1, we see only a small difference between the share of EITC recipients getting a RAL when we compare Native Population Counties to other counties. In Native Population Counties, 28 percent of EITC recipients get a RAL, compared to 24 percent in other counties. The high poverty Colonias counties in Southern New Mexico may partially explain the lack of a statistical relationship between Native Population Counties and RAL usage among EITC filers.

A correlation analysis revealed that while percent Native American population and the usage of RALs by total tax filers are positively correlated, percent Native American population is not correlated at a statistically significant level with EITC recipients using RALs. While we do not see a statistically significant correlation between RAL usage and the poverty rate, and just a weak correlation with urban-rural code, a regression analysis finds that–if controlling other factors–the RAL usage rate among EITC filers is higher in more urban areas and areas with higher rates of poverty.[37]

Table E-2: Percent of Total EITC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	24%	27	10%
Yes	28%	6	13%
Total	24%	33	10%

*Correlation of % Native American population and % EITC filer use of RALs: .20***
*** Correlation is not significant at either the .01 or .05 level*

** Defined as a Native Population County if some of all of a reservation is within county boundaries, and if Native American population is greater than 10 percent of total population.*

If we look at the take-up rate of RALs among those who are offered this product by paid tax preparers, we again see that Cibola County has the highest rate of RAL usage among EITC recipients. In Cibola County, over six out of every 10 EITC filers using a paid preparer opts to take out a RAL. However, other counties with reservations or pueblos are clustered towards the middle and bottom of the rankings.

Table E-3: New Mexico's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using a Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Cibola	63%	40%	Yes – Acoma, Laguna, Navajo, Zuni	6
2	Quay	55%	2%		7
3	Lea	53%	2%		5
4	Eddy	52%	2%		5
5	San Miguel	51%	3%		3
6	Roosevelt	50%	2%		7
7	Curry	50%	2%		5
8	Chaves	50%	2%		5
9	Guadalupe	47%	1%		7
10	Otero	47%	6%	Yes – Mescalero	4
11	Colfax	47%	2%		7
12	Valencia	47%	4%	Yes – Isleta, Laguna	2
13	Socorro	44%	12%	Yes – Navajo	6
14	Bernalillo	42%	5%	Yes – Isleta, Laguna, Navajo, Sandia	2
15	Mora	41%	2%		8
16	Lincoln	40%	3%	Yes – Mescalero	7
17	McKinley	40%	74%	Yes – Navajo, Zuni	4
18	Sandoval	39%	17%	Yes – Conchiti, Jemez, Jicarilla Apache, Laguna, Navajo, Sandia, San Felipe, San Ildefonso, Santa Ana, Santa Clara, Santa Domingo, Zia	2
19	Luna	38%	2%		6
20	Torrance	38%	3%	Yes – Isleta	2
21	Rio Arriba	37%	14%	Yes – Jicarilla Apache, San Juan, Santa Clara	6
22	Sierra	35%	2%		6
23	Dona Ana	33%	2%		3
24	Hidalgo	31%	1%		7
25	Santa Fe	31%	4%	Yes – Conchiti, Nambe, Pojoaque, San Ildefonso, Santa Clara, Santa Domingo, Tesuque	3

F. Oklahoma

Instead of having reservations, Oklahoma is home to over 20 Tribal Statistical Areas (OTSAs) that are located in 67 of the state's 77 counties. OTSA boundaries were formed for federally recognized tribes in Oklahoma that had a reservation or settlement area in the past. The OTSA land generally encompasses the same area which was once a reservation. While all but 10 counties are home to at least one OTSA, 43 have both OTSA land and a population that is at least 10 percent Native American.

On average, 33% of EITC filers in Oklahoma received a RAL in 2005. The take-up rates are slightly higher in counties with an OTSA. We examined the use of RALs among EITC filers for each county in Oklahoma (see Table F-1 and Map F-1) and found that for the top 10 counties ranked by RAL usage, nine have OTSA land and eight have both OTSA land and a sizable (10 percent or more) Native American population. Adair County—which is the headquarters of the Cherokee OTSA and has the largest share of Native Americans—has the highest percentage of EITC recipients receiving a RAL. The cost of RALs to communities in Oklahoma is significant – in Adair County, 1,688 EITC filers applied for a RAL in 2005 at an estimated aggregate cost to the community of $422,000. In Seminole County, 1,331 EITC filers received a RAL at an estimated cost of $332,750.

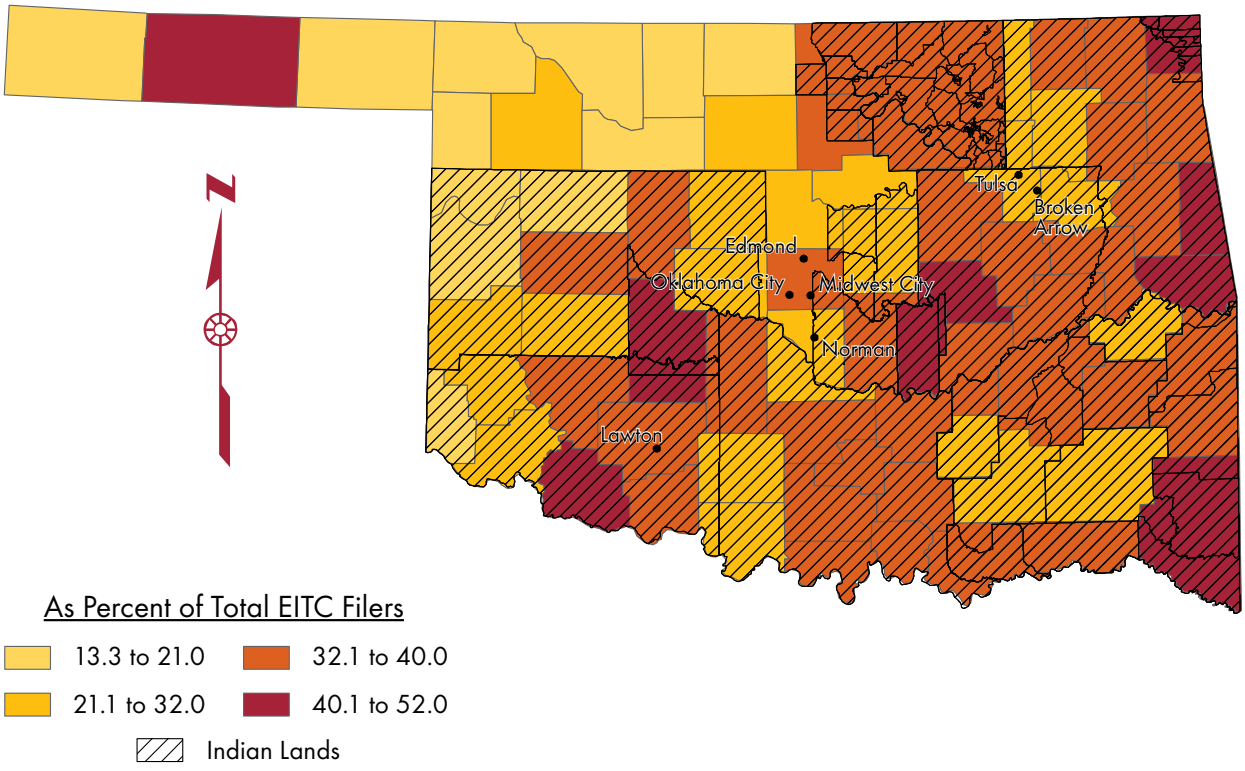
Table F-1: Oklahoma's Counties (Top 25) with the Highest Percentage of ETIC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	OTSA Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Adair	51%	50%	Yes – Cherokee	1,688	$168,800	$422,000	94
2	Seminole	46%	22%	Yes – Seminole	1,331	$133,100	$332,750	18
3	Okfuskee	44%	23%	Yes – Creek	578	$57,800	$144,500	27
4	Caddo	44%	28%	Yes – Caddo-Wichita-Delaware, Cheyenne-Arapaho, Kiowa-Comanche-Apache-Fort Sill Apache	1,401	$140,100	$350,250	61
5	Sequoyah	43%	29%	Yes – Cherokee	2,083	$208,300	$520,750	90
6	McCurtain	43%	18%	Yes – Choctaw	1,839	$183,900	$459,750	50

Table F-1: (cont'd)

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	OTSA Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
7	Ottawa	42%	23%	Yes – Cherokee, Eastern Shawnee, Miami, Modoc, Ottawa, Peoria, Quapaw, Seneca-Cayuga, Wyandotte	1,464	$146,400	$366,000	125
8	Tillman	41%	4%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	389	$38,900	$97,250	21
9	Texas	41%	2%		633	$63,300	$158,250	14
10	Pontotoc	40%	20%	Yes – Chickasaw	1,451	$145,100	$362,750	148
11	Delaware	40%	28%	Yes – Cherokee, Seneca-Cayuga	1,542	$154,200	$385,500	248
12	Muskogee	39%	21%	Yes – Cherokee, Creek	2,868	$286,800	$717,000	223
13	Hughes	39%	21%	Yes – Choctaw, Creek	533	$53,300	$133,250	24
14	Bryan	39%	17%	Yes – Chickasaw, Choctaw	1,501	$150,100	$375,250	315
15	Murray	38%	15%	Yes – Chickasaw	464	$46,400	$116,000	18
16	Garvin	38%	10%	Yes – Chickasaw	1,033	$103,300	$258,250	0
17	Custer	38%	8%	Yes – Cheyenne-Arapaho	787	$78,700	$196,750	0
18	Cotton	38%	10%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	218	$21,800	$54,500	0
19	Okmulgee	38%	19%	Yes, Creek	1,535	$153,500	$383,750	135
20	Pottawatomie	37%	15%	Yes – Citizen Potawatomi, Kickapoo, Sac and Fox	2,286	$228,600	$571,500	138
21	Blaine	37%	11%	Yes – Caddo-Wichita-Delaware, Cheyenne-Arapaho	342	$34,200	$85,500	0
22	Craig	36%	27%	Yes – Cherokee	558	$55,800	$139,500	33
23	Love	36%	9%	Yes – Chickasaw	316	$31,600	$79,000	40
24	Grady	36%	7%	Yes – Caddo-Wichita-Delaware, Chickasaw, Kiowa-Comanche-Apache-Fort Sill Apache	1,270	$127,000	$317,500	85
25	Kiowa	36%	8%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	385	$38,500	$96,250	24

Map F-1: Use of Refund Anticipation Loans in Oklahoma, 2005



As shown in Table F-2 below, Native Population Counties have a somewhat similar usage of RALs among EITC recipients compared to other counties. Native Population Counties have a slightly higher median rate of RAL usage among EITC filers (36% vs. 28%). However, if instead of dividing counties into Native and non-Native categories we simply look at the change in RAL usage as the share of Native Americans increases, we find different results. This is likely because more of an impact exists in a county with an OTSA and a very large share of Native Americans when compared to a similar county where Native Americans comprise just 10-15 percent of the population. We find that RAL usage among EITC recipients is strongly and positively correlated with the percent of Native American population within a county. A multivariate analysis confirms this positive relationship between the share of the population that is Native American and an increase in RAL usage, even when controlling for the urbanization of a county.[38]

Table F-2: Percent of Total EITC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	28%	34	8%
Yes	36%	43	5%
Total	34%	77	8%

*Correlation of % Native American and % EITC filer getting a RAL: 0.63***
***Correlation is significant at the 0.01 level (2-tailed)*

**Defined as a Native Population County if some of all of a OTSA is within county boundaries, and if Native American population is greater than 10 percent of total population.*

If we look at the take-up rate of RALs among those who are offered this product by paid tax preparers, we see that the take-up rate is fairly high. In Seminole County, over 6 out of every 10 EITC filers receive a RAL. While about a third of all EITC recipients in the state gets a RAL in order to receive a refund quickly, we find that about half of EITC recipients visiting a paid tax preparer end up using these loans. Like our findings above, we find that nine of the top 10 counties in terms of RAL take-up rate have OTSA lands, and eight of the 10 also have a significant Native American population.

Table F-3: Oklahoma's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using Paid Preparer Getting a RAL	Percent Native American Population	OTSA Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Seminole	61%	22%	Yes – Seminole	7
2	Carter	59%	12%	Yes – Chickasaw	5
3	Adair	59%	50%	Yes – Cherokee	6
4	Caddo	59%	28%	Yes – Caddo-Wichita-Delaware, Cheyenne-Arapaho, Kiowa-Comanche-Apache-Fort Sill Apache	6
5	Okfuskee	57%	23%	Yes – Creek	6
6	Pontotoc	56%	20%	Yes – Chickasaw	7
7	Texas	55%	2%		7
8	Comanche	55%	7%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	3
9	Muskogee	55%	21%	Yes – Cherokee, Creek	4
10	Okmulgee	54%	19%	Yes, Creek	2
11	Tillman	54%	4%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	6
12	McCurtain	54%	18%	Yes – Choctaw	7
13	Pottawatomie	54%	15%	Yes – Citizen Potawatomi, Kickapoo, Sac and Fox	4
14	Bryan	53%	17%	Yes – Chickasaw, Choctaw	6
15	Ottawa	53%	23%	Yes – Cherokee, Eastern Shawnee, Miami, Modoc, Ottawa, Peoria, Quapaw, Seneca-Cayuga, Wyandotte	6
16	Delaware	52%	28%	Yes – Cherokee, Seneca-Cayuga	6
17	Hughes	52%	21%	Yes – Choctaw, Creek	7
18	Pittsburg	51%	17%	Yes – Choctaw	5
19	Sequoyah	51%	29%	Yes – Cherokee	2
20	Kay	51%	11%	Yes – Kaw, Ponca, Tonkawa	5
21	Jackson	51%	3%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	5
22	Murray	51%	15%	Yes – Chickasaw	7
23	Cotton	50%	10%	Yes – Kiowa-Comanche-Apache-Fort Sill Apache	6
24	Grady	50%	7%	Yes – Caddo-Wichita-Delaware, Chickasaw, Kiowa-Comanche-Apache-Fort Sill Apache	1
25	Love	50%	9%	Yes – Chickasaw	9

G. Oregon

Oregon is home to 11 federally recognized tribes and their reservations which are distributed throughout 14 counties across the state. Only one county has a Native American population of greater than 10%, however.

On average, 17 percent of all EITC filers in the state received a RAL in 2005. We examined the use of RALs for each county in Oregon (see Table G-1 and Map G-1), and found that 11 of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. Seven of the top 10 counties have reservation land within their borders. In Jefferson County, which has the greatest share of Native American population and contains a portion of the Warm Springs reservation, a third of all EITC recipients get a RAL–the highest rate statewide. The cost of RALs to the economies of counties in Oregon can be significant–in Jefferson County, 635 EITC filers received a RAL at an estimated cost of $158,750 in RAL and tax preparation fees, and in Umatilla County 1,429 EITC filers spent $357,250 to get their refund early.

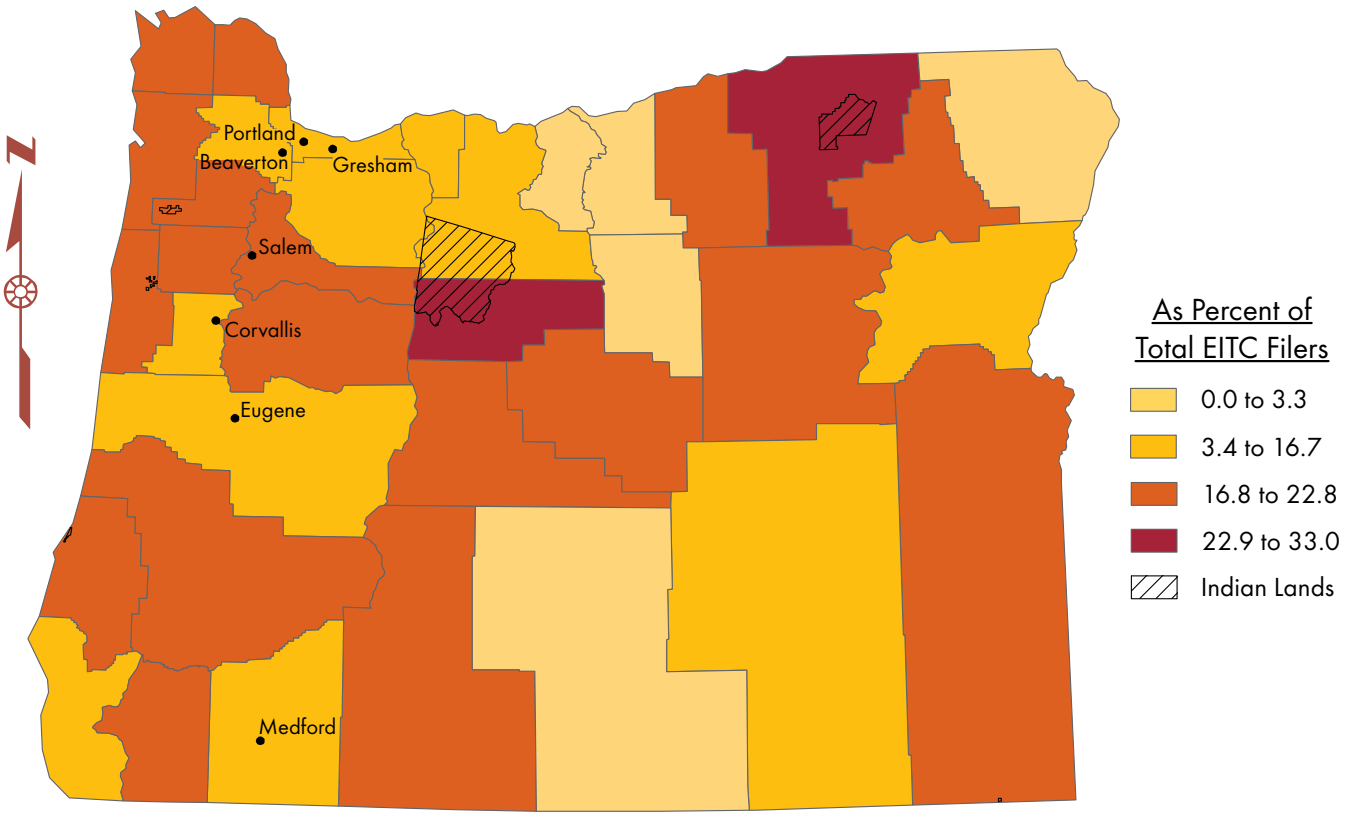
Table G-1: Oregon's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Jefferson	33%	17%	Yes – Warm Springs	635	$63,500	$158,750	119
2	Umatilla	26%	4%	Yes – Umatilla	1,429	$142,900	$357,250	352
3	Douglas	23%	3%	Yes – Cow Creek	1,742	$174,200	$435,500	369
4	Malheur	22%	2%	Yes – Fort McDermitt	572	$57,200	$143,000	128
5	Lincoln	22%	5%	Yes – Siletz	706	$70,600	$176,500	149
6	Clatsop	22%	2%		530	$53,000	$132,500	39
7	Coos	21%	5%	Yes – Coos-Lower Umpqua-Siuslaw, Coquille	979	$97,900	$244,750	353
8	Marion	21%	3%	Yes – Warm Springs	4,203	$420,300	$1,050,750	629
9	Linn	21%	3%		1,417	$141,700	$354,250	272
10	Polk	20%	3%		792	$79,200	$198,000	132
11	Tillamook	20%	2%		320	$32,000	$80,000	28

Table G-1: (cont'd)

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
12	Crook	20%	2%		272	$27,200	$68,000	59
13	Union	19%	2%	Yes – Umatilla	330	$33,000	$82,500	42
14	Josephine	19%	3%		1,182	$118,200	$295,500	404
15	Columbia	18%	3%		457	$45,700	$114,250	36
16	Klamath	18%	6%	Yes – Klamath	911	$91,100	$227,750	171
17	Deschutes	18%	2%		1,565	$156,500	$391,250	451
18	Grant	18%	3%		91	$9,100	$22,750	-
19	Yamhill	18%	2%	Yes – Grande Ronde	946	$94,600	$236,500	110
20	Morrow	18%	2%		134	$13,400	$33,500	65
21	Baker	17%	2%		205	$20,500	$51,250	36
22	Jackson	16%	2%		2,305	$230,500	$576,250	702
23	Multnomah	16%	2%		6,755	$675,500	$1,688,750	1,331
24	Lane	15%	3%		3,296	$329,600	$824,000	1,491
25	Clackamas	15%	2%	Yes – Warm Springs	2,604	$260,400	$651,000	393

Map G-1: Use of Refund Anticipation Loans in Oregon, 2005



If we compare Jefferson County–the only county with reservation land and where Native Americans make up at least 10 percent of the total population–to other counties in Oregon, we find that EITC recipients are nearly twice as likely to take out a RAL (see Table G-2). Similarly, we find a moderately positive correlation among the share of Native Americans in a county and RAL usage that is statistically significant. These findings are of limited value, however, because Native American populations in Oregon don't tend to be concentrated at the county level.

Looking at other factors such as poverty and the degree to which a county is urban or rural, in addition to the presence of Native American population, sheds further light on RAL usage. Multivariate analysis reveals that we would expect RAL usage among EITC recipients to decrease in rural areas and increase in areas with larger shares of Native Americans, holding other factors constant.[39] Poverty rates do not appear to explain varying rates of RAL usage.

Table G-2: Percent of Total EITC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	18%	35	7%
Yes	33%	1	-
Total	18%	36	7%

*Correlation of % Native American and % EITC filer getting a RAL: .43***
***Correlation is significant at the 0.01 level (2-tailed)*

**Defined as a Native Population County if some of all of a reservation is within county boundaries, and if Native American population is greater than 10 percent of total population.*

If we look at the take-up rate of RALs among those who are offered this product by paid tax preparers, we see that the take-up rate is fairly high. In Jefferson County, six out of 10 EITC recipients offered a RAL chose to take one. Many of the other counties ranking near the top in this measure of RAL usage are also home to reservation land.

Table G-3: Oregon's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Jefferson	60%	17%	Yes – Warm Springs	6
2	Umatilla	45%	4%	Yes – Umatilla	5
3	Douglas	42%	3%	Yes – Cow Creek	4
4	Morrow	40%	2%		6
5	Coos	40%	5%	Yes – Coos-Lower Umpqua-Siuslaw, Coquille	5
6	Lincoln	39%	5%	Yes – Siletz	4
7	Clatsop	39%	2%		4
8	Marion	37%	3%	Yes – Warm Springs	2
9	Polk	37%	3%		2
10	Linn	36%	3%		4
11	Columbia	34%	3%		1
12	Crook	34%	2%		6
13	Yamhill	33%	2%	Yes – Grande Ronde	1
14	Lane	33%	3%		2
15	Josephine	32%	3%		4
16	Tillamook	32%	2%		6
17	Deschutes	31%	2%		3
18	Malheur	31%	2%	Yes – Fort McDermitt	6
19	Union	30%	2%	Yes – Umatilla	7
20	Klamath	29%	6%	Yes – Klamath	5
21	Jackson	28%	2%		3
22	Washington	28%	1%		1
23	Multnomah	28%	2%		1
24	Benton	27%	2%		3
25	Baker	27%	2%		7

H. South Dakota

South Dakota is home to nine federally recognized tribal governments and their reservations, located in 13 counties out of 66 of South Dakota's counties. Of these 13 counties, 11 have a Native American population of 10 percent or more.

On average, 29% of all EITC filers in the state received a RAL in 2005. However, this rate is dramatically higher in many counties with reservations. We examined the use of RALs for each county in South Dakota (see Table H-1 and Map H-1), and found that 11 of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. The two reservation counties that did not make the top 25 list of EITC RAL users are Grant and Codington Counties, which have no Native American population according to the U.S. Census (they contain only a small amount of the Sisseton Wahpeton/Lake Traverse reservations). All nine reservations in the state are represented in the list of the 25 counties with the highest percentage of EITC filers taking out RALs. The cost to the local economies of these counties is significant – in Shannon County alone, where part of the Pine Ridge reservation is located, 1,699 EITC filers applied for a RAL in 2005 – at an estimated total aggregate cost of $424,750 to the citizens of that county.

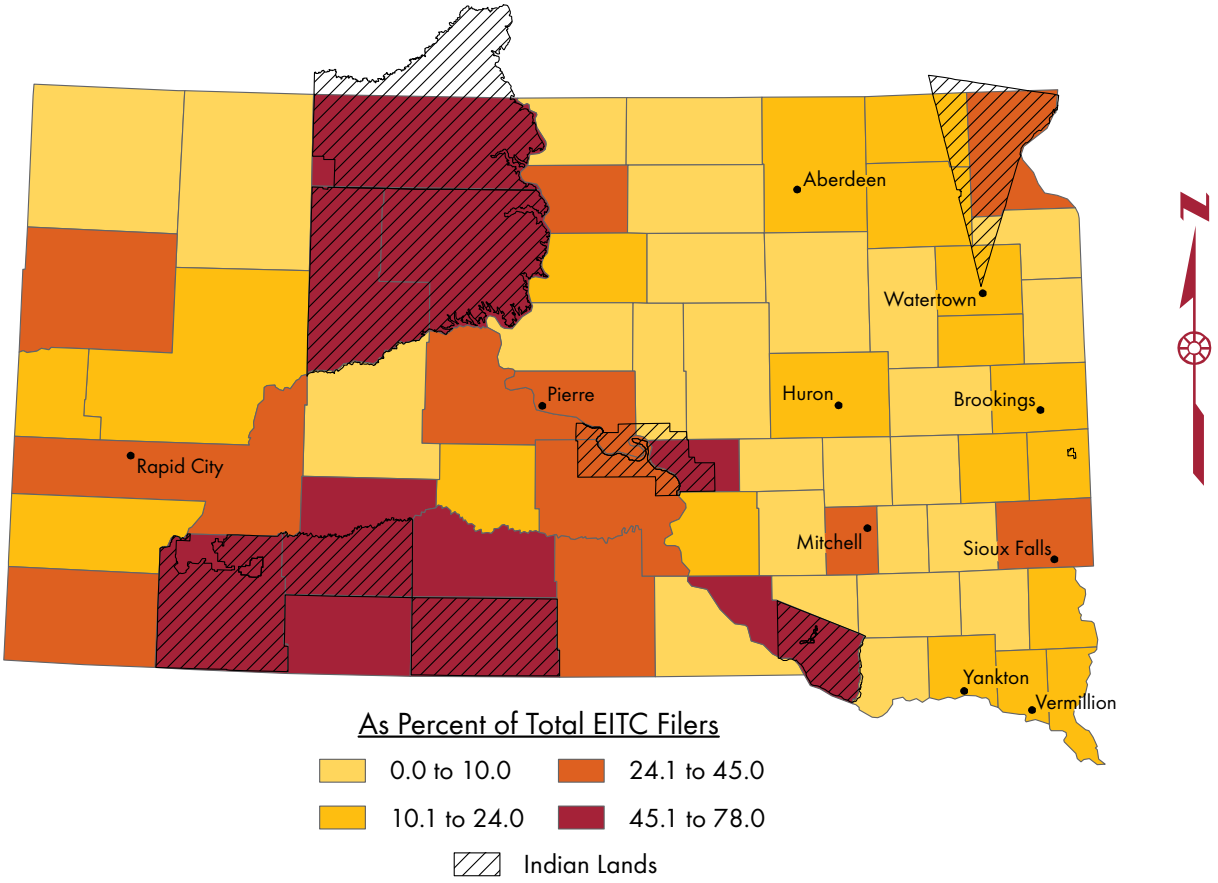
Table H-1: South Dakota's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Todd	78%	86%	Yes – Rosebud	1,282	$128,200	$320,500	0
2	Shannon	75%	94%	Yes – Pine Ridge	1,699	$169,900	$424,750	0
3	Buffalo	68%	82%	Yes – Crow Creek	232	$23,200	$58,000	0
4	Ziebach	62%	72%	Yes – Cheyenne River	115	$11,500	$28,750	0
5	Corson	61%	61%	Yes – Standing Rock	337	$33,700	$84,250	0
6	Dewey	60%	74%	Yes – Cheyenne River	606	$60,600	$151,500	77
7	Bennett	56%	52%	No	237	$23,700	$59,250	0
8	Jackson	52%	48%	Yes – Pine Ridge	174	$17,400	$43,500	0
9	Mellette	50%	52%	No	125	$12,500	$31,250	0
10	Charles Mix	49%	28%	Yes – Yankton	449	$44,900	$112,250	0

Table H-1: (cont'd)

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
11	Lyman	45%	33%	Yes – Lower Brule	225	$22,500	$56,250	0
12	Roberts	39%	30%	Yes – Sisseton Wahpeton/Lake Traverse	409	$40,900	$102,250	37
13	Hughes	36%	9%	No	390	$39,000	$97,500	30
14	Walworth	34%	12%	No	159	$15,900	$39,750	0
15	Stanley	33%	5%	No	62	$6,200	$15,500	0
16	Pennington	29%	8%	No	2,178	$217,800	$544,500	192
17	Minnehaha	29%	2%	No	3,073	$307,300	$768,250	223
18	Fall River	27%	6%	No	163	$16,300	$40,750	0
19	Tripp	26%	11%	No	137	$13,700	$34,250	0
20	Butte	26%	2%	No	229	$22,900	$57,250	0
21	Davison	26%	2%	No	340	$34,000	$85,000	32
22	Moody	24%	12%	Yes – Flandreau	80	$8,000	$20,000	0
23	Beadle	24%	1%	No	257	$25,700	$64,250	14
24	Union	23%	0%	No	146	$14,600	$36,500	0
25	Brule	22%	8%	No	88	$8,800	$22,000	0

Map H-1: Use of Refund Anticipation Loans in South Dakota, 2005



Residents of Native Population Counties are five times more likely to use a RAL than residents of other counties in South Dakota (see Table H-2): A median 60 percent of EITC filers get RALs in counties that are part of reservations, while the median rate is only 12 percent for non-reservation counties. Additionally, the bivariate correlation between the percent Native American population in a county and the percent of EITC filers using a RAL is .78, and is statistically significant at the .01 level. This indicates that there is a strong positive statistical relationship in the state of South Dakota between the percent Native American population in a county and the use of RALs by EITC filers. Multivariate analysis reveals that the degree of rurality (or urbanization) of a county is also a predictor of the use of RALs for EITC filers, although the percent of Native American population is a better predictor of the use of RALs. [40]

Table H-2: Percent of Total EITC Filers Getting A RAL

Native Population County?*	Median	N	Std. Deviation
No	12%	55	13%
Yes	60%	11	16%
Total	17%	66	20%

*Correlation of % Native American population and % EITC filer use of RALs: .78***

*** Correlation is significant at the 0.01 level (2-tailed).*

** Defined as a Native Population County if some or all of a reservation is within county boundaries, and if Native American population is greater than 10% of total population.*

A similar pattern emerges when we examine the RAL take-up rate among EITC filers using a paid tax preparer. Table H-3 provides this data on a county-by-county basis, and reveals that the 11 counties from Table H-1 that have Indian reservations in their boundaries are still in the top 25 counties in South Dakota ranked by percentage of EITC filers using RALs. RAL use among EITC filers using paid tax preparers is dramatically high in some counties. In Buffalo County, which contains part of the Crow Creek Reservation, nine out of 10 such filers receive a RAL. For six other counties, the rate is higher than six out of 10. This may indicate that RALs are being heavily marketed in this area by paid tax preparers, or that residents are not aware of other low-cost options for accessing the EITC.

Table H-3 also includes county level data on urban population, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). In fact, of the eight counties in South Dakota that have an urban population of 20,000 or more, three are included in the list of the top 25 counties using RALs. Counties that are a part of the Rapid City, Sioux Falls, and Aberdeen areas are included in the list. The list of the top 10 counties in Table H-3, however, still has a disproportionate share of reservation counties, including some very rural ones. Reservation counties appear to have among the highest usage of RALs for EITC filers using a paid preparer, indicating that level of urbanization is not a good predictor of usage of RALs among EITC filers in South Dakota.

Table H-3: South Dakota's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of Total EITC Filers Using Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Buffalo	91%	82%	Yes – Crow Creek	9
2	Todd	83%	86%	Yes – Rosebud	9
3	Shannon	81%	94%	Yes – Pine Ridge	7
4	Dewey	71%	74%	Yes – Cheyenne River	9
5	Ziebach	68%	72%	Yes – Cheyenne River	9
6	Corson	67%	61%	Yes – Standing Rock	9
7	Bennett	65%	52%	No	9
8	Jackson	61%	48%	Yes – Pine Ridge	8
9	Mellette	57%	52%	No	9
10	Lyman	56%	33%	Yes – Lower Brule	9
11	Hughes	56%	9%	No	7
12	Charles Mix	56%	28%	Yes – Yankton Sioux	9
13	Roberts	56%	30%	Yes – Sisseton Wahpeton/Lake Traverse	9
14	Stanley	52%	5%	No	9
15	Pennington	47%	8%	No	3
16	Minnehaha	45%	2%	No	3
17	Walworth	43%	12%	No	7
18	Fall River	39%	6%	No	7
19	Beadle	38%	1%	No	7
20	Butte	36%	2%	No	6
21	Davison	35%	2%	No	7
22	Meade	35%	2%	No	9
23	Lawrence	34%	2%	No	6
24	Moody	33%	12%	Yes – Flandreau	8
25	Brown	32%	3%	No	5

I. Washington

Washington State is home to 26 federally recognized Indian tribes and their reservations, which are located in 21 out of 39 of Washington's counties. Two counties—Ferry and Okanogan—are home to the Colville Reservation and have sizable Native American populations of 20 percent and 13 percent respectively. However, unlike other states in our analysis, there are no counties in which Native Americans make up a majority of the population.

On average, 22 percent of EITC recipients in the state received a RAL in 2005. We examined the use of RALs for each county in Washington State (see Table I-1 and Map I-1). Similar to New Mexico, there is no clear link between the presence of a Native American population and higher RAL usage among EITC recipients at the county level in Washington State.

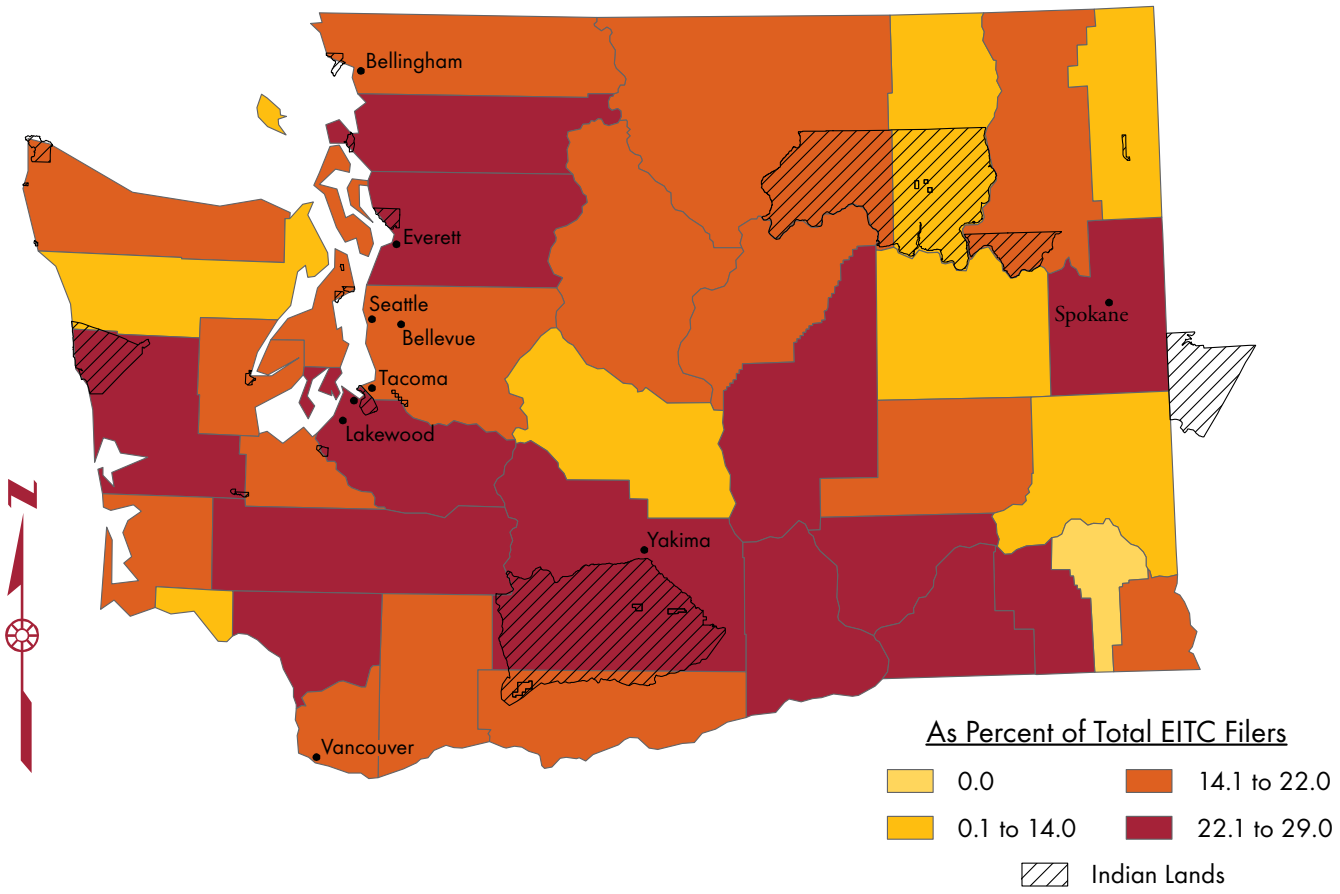
Table I-1: Washington's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Yakima	29%	5%	Yes – Yakama	6,484	$648,400	$1,621,000	731
2	Walla Walla	28%	2%		1,105	$110,500	$276,250	255
3	Pierce	28%	3%	Yes – Muckleshoot, Nisqually, Puyallup	12,741	$1,274,100	$3,185,250	1,337
4	Lewis	27%	2%	Yes – Yakama	1,390	$139,000	$347,500	20
5	Cowlitz	26%	3%		1,664	$166,400	$416,000	48
6	Columbia	26%	2%		78	$7,800	$19,500	0
7	Grays Harbor	24%	6%	Yes – Chehalis, Quinault	1,195	$119,500	$298,750	29
8	Skagit	24%	3%	Yes – Sauk-Suiattle, Swinomish, Upper Skagit	1,637	$163,700	$409,250	179
9	Grant	24%	2%		1,488	$148,800	$372,000	78
10	Spokane	23%	2%	Yes – Kalispel	7,076	$707,600	$1,769,000	1,135
11	Snohomish	23%	2%	Yes – Sauk-Suiattle, Stillaguamish, Tulalip	6,944	$694,400	$1,736,000	469
12	Franklin	23%	1%		1,095	$109,500	$273,750	133

Table I-1: (cont'd)

Rank	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
13	Benton	23%	2%		2,047	$204,700	$511,750	292
14	Kitsap	22%	3%	Yes – Pt. Gamble, Pt. Madison	2,602	$260,200	$650,500	557
15	Clallam	21%	6%	Yes – Jamestown S'Klallam, Lower Elwha, Makah, Quileute	896	$89,600	$224,000	126
16	Okanogan	21%	13%	Yes – Colville	738	$73,800	$184,500	0
17	Skamania	21%	3%		151	$15,100	$37,750	0
18	Clark	20%	2%		4,369	$436,900	$1,092,250	503
19	Mason	20%	5%	Yes – Skokomish, Squaxin	665	$66,500	$166,250	55
20	Whatcom	20%	4%	Yes – Lummi, Nooksack	2,010	$201,000	$502,500	0
21	Pacific	20%	4%	Yes – Shoalwater Bay	265	$26,500	$66,250	0
22	Douglas	19%	2%		434	$43,400	$108,500	23
23	Stevens	19%	7%	Yes – Spokane	581	$58,100	$145,250	17
24	Asotin	19%	2%		298	$29,800	$74,500	0
25	Thurston	19%	3%	Yes – Chehalis, Nisqually	2,421	$242,100	$605,250	402

Map I-1: Use of Refund Anticipation Loans in Washington, 2005



Similarly, if we compare Native Population Counties with other counties, there is little difference in the take-up of RALs among EITC recipients. In addition, a correlation analysis between the share of Native Americans in a county and the usage of RALs did not yield any statistically significant findings. A correlation analysis does reveal, however, a positive relationship between more urban areas and a rise in RAL usage, which is confirmed by a multivariate analysis which shows that this relationship exists even when controlling for an area's poverty rate.[41]

Table I-2: Percent of Total ETIC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	20%	37	6%
Yes	16%	2	7%
Total	20%	39	6%

*Correlation of % Native American population and % EITC filer use of RALs: -.04***
*** Correlation is not significant at the .01 or .05 level*

**Defined as a Native county if some of all of a reservation is within county boundaries, and if Native American population is greater than 10 percent of total population.*

Since using a paid tax preparer is the only way EITC recipients can access a RAL, we also looked at the share of RALs received from EITC recipients using a paid tax preparer. Similar to our findings above, the use of the product is not significantly higher in counties with reservations or a larger Native American population.

Table I-3: Washington's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent of EITC Filers Using Paid Preparer Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Cowlitz	49%	3%	No	3
2	Walla Walla	47%	2%	No	4
3	Columbia	46%	2%	No	6
4	Pierce	45%	3%	Yes – Muckleshoot, Nisqually, Puyallup	1
5	Spokane	45%	2%	Yes – Kalispel	2
6	Yakima	44%	5%	Yes – Yakama	3
7	Kitsap	43%	3%	Yes – Pt. Gamble, Pt. Madison	3
8	Grays Harbor	43%	6%	Yes – Chehalis, Quinault	4
9	Lewis	43%	2%	Yes – Yakama	4
10	Benton	40%	2%	No	3
11	Grant	39%	2%	No	4
12	Skagit	39%	3%	Yes – Sauk-Suiattle, Swinomish, Upper Skagit	3
13	Whatcom	37%	4%	Yes – Lummi, Nooksack	3
14	Thurston	37%	3%	Yes – Chehalis, Nisqually	3
15	Snohomish	37%	2%	Yes – Sauk-Suiattle, Stillaguamish, Tulalip	1
16	Okanogan	37%	13%	Yes – Colville	6
17	Clallam	37%	6%	Yes – Jamestown S'Klallam, Lower Elwha, Makah, Quileute	5
18	Pacific	34%	4%	Yes – Shoalwater Bay	7
19	Douglas	34%	2%	No	3
20	Clark	34%	2%	No	1
21	Mason	34%	5%	Yes – Skokomish, Squaxin	6
22	Chelan	34%	2%	No	3
23	Stevens	34%	7%	Yes – Spokane	6
24	Skamania	33%	3%	No	1
25	Island	33%	2%	No	4
26	Franklin	33%	1%	No	3

J. Wisconsin

Wisconsin is home to 11 federally recognized tribal governments and their reservations, located in nine of Wisconsin's 72 counties. Of these nine counties, only four have a significant Native American population which makes up at least 10 percent of the total county population.

On average, a little over 18 percent of EITC recipients in Wisconsin received a RAL in 2005. This rate is dramatically higher for several counties with a reservations located in their boundaries. We examined the use of RALs for each county in Wisconsin (see Table J-1 and Map J-1) and found that four of the 25 counties with the highest percentage of EITC filers taking out RALs are counties that contain all or part of a reservation's land. There are a total of nine counties in Wisconsin that have some or all of a reservation's area contained in their boundaries, and the five counties that did not make the top 25 list of EITC RAL users have less than 10% Native American population according to the U.S. Census. Four reservations in the state are represented in the list of the top 25 counties with the highest percentage of EITC filers taking out RALs: The Menominee Indian Reservation, the Lac Courte Oreilles Indian Reservation, the St. Croix Reservation, and the Forest County Potawatomi Reservation. Only Menominee County and Forest County have more than 10% of their population that is Native American, and Menominee stands out as a community that has a large Native American population (81 percent of the total population according to the U.S. Census in 2000).

The cost of RALs to the economies of reservation counties in Wisconsin is significant, even if the population affected is small – in Menominee County, where the Menominee Indian Reservation is located, 346 EITC filers applied for a RAL at an estimated total aggregate cost to the community of $86,500 in 2005, and in Sawyer County, where the Lac Courte Oreilles reservation is located, 362 EITC filers applied for a RAL for an estimated total aggregate cost to the community of $90,500.

Table J-1: Wisconsin's Counties (Top 25) with the Highest Percentage of EITC Filers Getting a RAL, Tax Year 2005

	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
1	Menominee	48%	81%	Yes – Menominee	346	$34,600	$86,500	27
2	Milwaukee	30%	1%		22,620	$2,262,000	$5,655,000	3,722
3	Racine	26%	0%		2,911	$291,100	$727,750	689
4	Sawyer	25%	1%	Yes – Lac Courte Oreilles	362	$36,200	$90,500	44

Table J-1: (cont'd)

	County	Percent of EITC Filers Getting a RAL	Percent Native American Population	Reservation Part of County?	Number of EITC Filers Receiving a RAL	Estimated Cost of RALs to Community (est. cost $100 each)	Estimated Cost of RALs & Tax Prep Fee to Community (est. cost $250 each)	Number of EITC Filers Using a VITA Site
5	Kenosha	24%	0%		2,215	$221,500	$553,750	473
6	Rock	21%	0%		2,085	$208,500	$521,250	632
7	Jackson	20%	6%		285	$28,500	$71,250	54
8	Adams	20%	0%		279	$27,900	$69,750	81
9	Juneau	17%	1%		331	$33,100	$82,750	80
10	Douglas	17%	2%		521	$52,100	$130,250	250
11	Burnett	17%	4%	Yes – St. Croix	189	$18,900	$47,250	50
12	Walworth	16%	1%		779	$77,900	$194,750	221
13	Polk	16%	1%		406	$40,600	$101,500	103
14	Dane	16%	0%		2,945	$294,500	$736,250	1,493
15	Forest	16%	11%	Yes – Forest County Potawatomi	118	$11,800	$29,500	13
16	Brown	15%	2%		1,973	$197,300	$493,250	771
17	La Crosse	15%	1%		857	$85,700	$214,250	468
18	Langlade	15%	1%		213	$21,300	$53,250	65
19	Waushara	14%	0%		209	$20,900	$52,250	89
20	Marquette	14%	1%		132	$13,200	$33,000	54
21	Washburn	14%	1%		163	$16,300	$40,750	43
22	Shawano	13%	15%		338	$33,800	$84,500	124
23	Columbia	13%	0%		350	$35,000	$87,500	130
24	Jefferson	13%	0%		473	$47,300	$118,250	221
25	Waupaca	13%	0%		362	$36,200	$90,500	153

A comparison of Native Population Counties and other counties reveals that residents of Native Population Counties that apply for an EITC refund are somewhat more likely, on average, to use a RAL than residents of other counties (see Table J-2): A median 20 percent of EITC filers get RALs in counties that are Native Population Counties, while the median rate is only 12 percent for other counties. The bivariate correlation between the percent Native American population in a county and the percent of EITC filers using a RAL is .70, and is statistically significant at the .01 level. This indicates that there is a strong positive statistical relationship in the state of Wisconsin between the percent Native American population in a county and the use of RALs by EITC filers. However, multivariate analysis reveals that the degree of rurality (or urbanization) of a county is also a good predictor of use of RALs for EITC filers. The counties around Milwaukee stand out as areas where a large number of EITC filers receive RALs. The most powerful predictors of use of RALs by EITC filers, however, is Native American population.[42]

Map J-1: Use of Refund Anticipation Loans in Wisconsin, 2005

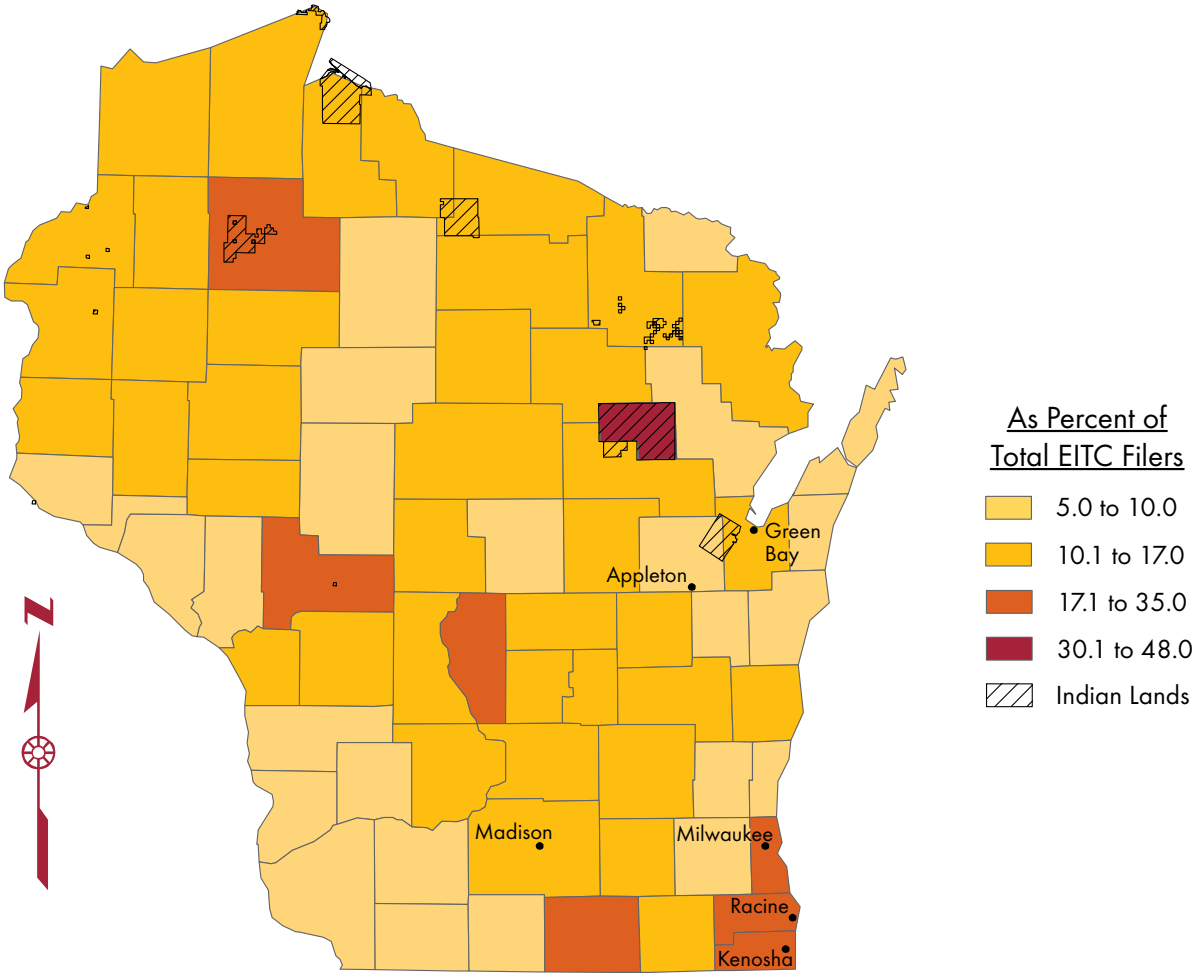


Table J-2: Percent Total EITC Filers Getting a RAL

Native Population County?*	Median	N	Std. Deviation
No	12%	68	5%
Yes	20%	4	16%
Total	12%	72	6%

*Correlation of % Native American population and % EITC filer use of RALs: .67***
** Correlation is significant at the 0.01 level (2-tailed).*

* *Defined as a Native Population County if some or all of a reservation is within county boundaries, and if Native American population is greater than 10% of total population.*

If we look at the take-up rate of RALs among those who are offered this product by paid tax preparers, we see that the take-up rate is fairly high in many counties. Table J-3 provides this data on a county-by-county basis, and reveals that the use of RALs by EITC filers who visit paid preparers is very high in Menominee County – over seven out of 10 such filers in that county applied for a RAL. This may indicate that RALs are being heavily marketed in this area by paid tax preparers, or that residents are not aware of other low-cost options for accessing the EITC.

Table J-3 also includes county level data on urban population, which has been hypothesized to explain the use of RALs (it is assumed the more urban counties provide more opportunities to access RALs through paid preparers). In fact, of the thirty-two counties in Wisconsin that have an urban population of 20,000 or more, 14 are included in the list of the top 25 counties using a RAL, most notably the counties that contain Milwaukee, Racine, Kenosha, and Madison. The list of the top 15 counties in Table J-3, however, still have a disproportionate share of reservation counties and include some very rural counties.

Table J-3: Wisconsin's Counties (Top 25) with the Highest Percentage of EITC Filers Using a Paid Preparer Getting a RAL, Tax Year 2005

Rank	County	Percent EITC Filers Using a Paid Prepared Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
1	Menominee	72%	81%	Yes – Menominee	8
2	Milwaukee	45%	1%		1
3	Racine	39%	0%		3
4	Kenosha	35%	0%		1
5	Douglas	33%	2%		2
6	Sawyer	33%	1%	Yes – Lac Courte Oreilles	4
7	Rock	30%	0%		3
8	Dane	30%	0%		2
9	Adams	30%	0%		8
10	Jackson	27%	6%		6
11	La Crosse	26%	1%		3
12	Brown	25%	2%		2
13	Juneau	24%	1%		7

Table J-3: (cont'd)

Rank	County	Percent EITC Filers Using a Paid Prepared Getting a RAL	Percent Native American Population	Reservation Part of County?	Urban/Rural Continuum Code (9 = most rural; 1 = most urban)
14	Walworth	24%	1%		4
15	Burnett	23%	4%	Yes – St. Croix	8
16	Sheboygan	23%	6%		6
17	Polk	23%	1%		6
18	Langlade	22%	1%		6
19	Waushara	21%	0%		8
20	Jefferson	21%	0%		4
21	Shawano	20%	15%		9
22	Winnebago	20%	0%		3
23	Forest	20%	11%	Yes – Forest County Potawatomi	9
24	Marathon	20%	0%		3
25	Fond du Lac	20%	1%		3
26	Franklin	33%	1%	No	3

FOOTNOTES

[31] In January 2009 a large portion of land in northeastern Arizona was restored to the Zuni tribe through a historic land purchase, which increases the number of tribes in Arizona to 22.

[32] Poverty rates are positively correlated with RAL usage by EITC recipients (.72, statistically significant at the .01 level). Poverty rates and the share of Native Americans in a county are positively correlated (.91, statistically significant at the .01 level) so these variables cannot be included in the same regression equation due to problems with multicollinearity. Our regression confirms the positive relationship between Native American population and RAL usage by EITC recipients, even when controlling for urban-rural code (R^2 = .74)

[33] Regression analysis indicates that when controlling for the percent of that population that is Native American, the degree of urbanization of a county has a weak positive statistical relationship to use of RALs by EITC filers.

[34] However, the R^2 is only .10, indicating that these variables only explain a small amount of the variance in the equation.

[35] There is a statistically significant bivariate correlation (-.49, significant at the .01 level) between rural-urban code and use of RALs by EITC filers in Montana, and multivariate analysis indicates this relationship exists even when controlling for the poverty rate. Poverty is also highly correlated to use of RALs by EITC filers, but because the bivariate correlation between percent Native American population and percent of the population in poverty is .69 these variables cannot be included in the same regression equation due to problems with multicollinearity.

[36] There is a somewhat weak, yet statistically significant bivariate correlation between rural-urban code and use of RALs by EITC filers in North Dakota (-.33, significant at the .01 level), and multivariate analysis indicates that when controlling for the poverty rate, the degree of rurality has a negative statistical relationship to the use of RALs. The percent of the population in poverty is highly correlated to use of RALs by EITC filers in North Dakota, so these variables cannot be included in the same regression equation due to problems with multicollinearity.

[37] There is a weak, yet statistically significant bivariate correlation between rural-urban code and use of RALs by EITC filers in North Dakota (-.26, significant at the .05 level). A multivariate regression analysis reveals that poverty rate and urban-rural code are also significant predictors.

[38] There is a bivariate correlation between the poverty rate and the use of RALs (.42 significant at the .01 level). A regression analysis shows that the share of Native Americans and the rural-urban code both explain the variation of RAL usage by EITC recipients (R^2 is 0.45). Because the percent of the population in poverty is highly correlated to use of RALs by EITC filers in North Dakota, these variables cannot be included in the same regression equation due to problems with multicollinearity.

[39] A regression analysis including three variables–the poverty rate, share of the population that is Native American and urban-rural code–has an R^2 of .45. Of these variables, both the urban-rural code and share of Native Americans in a county are statistically significant predictors of RAL usage among EITC recipients, at nearly equal strength.

[40] There is no statistically significant bivariate correlation between rural-urban code and use of RALs by EITC filers in South Dakota, but multivariate analysis indicates that when controlling for Native American population, the degree of rurality has a weak negative statistical relationship to the use of RALs. The percent of the population in poverty is correlated to use of RALs by EITC filers in South Dakota so these variables cannot be included in the same regression equation due to problems with multicollinearity.

[41] The urban-rural code is negatively correlated with RAL usage among EITC recipients, which means the more urban the county, the higher the rate of RAL usage (-.42, significant at the 0.01 level). If we conduct a regression analysis to determine the effects of the poverty rate and urban-rural code on the level of RAL usage, we find an R^2 of 0.43. Urban-rural code is found to be significant when controlling for poverty rate. We do not include the share of Native Americans as a variable in this regression because it is correlated with poverty rate and urban-rural code.

[42] There is no statistically significant bivariate correlation between rural-urban code and use of RALs by EITC filers in Wisconsin. But when controlling for the percent of the population in poverty and the percent of the population that is Native American, the rurality of a county has a negative statistical relationship to use of RALs by EITC filers.

V. RECOMMENDATIONS & DIRECTIONS FOR FUTURE RESEARCH

RALs can drain resources from working families who rely on the EITC to pull themselves out of poverty and make ends meet. While prior studies have demonstrated a disproportionate impact of RAL fees on African American and Latino communities, this study explores RAL usage in Native American communities. We find that EITC recipients in Native communities, on average, use RALs at higher rates than their counterparts living in non-Native communities. In addition, even though rural areas generally have lower levels of RAL use, this trend does not hold for rural communities that are home to large reservations. The result is a diversion of needed funds from low-to-moderate income households to pay tax preparers for high-cost RALs.

A. Recommendations for Programs to Encourage Effective Use of EITC in Native Communities

Enacting the following recommendations will help prevent the draining of needed tax refunds from Native communities by both reducing the demand for the RAL product and improving the terms under which RALs are offered:

Recommendation 1: **Create VITA sites to allow EITC recipients and other low-to-moderate income tax filers to get free tax preparation without the marketing of high-cost RALs.** We support the recommendations listed in the 2008 Native Financial Education Coalition Policy Recommendation Report for increasing access to the EITC in Native communities, including the promotion of VITA sites.[43] In 2008, there were approximately 100 free or low-cost tax preparation programs serving Native communities. Early evaluation data suggests that they have been successful in reducing the amount of fees Native American tax filers are paying and in reducing the use of RALs. In addition, they seem to be increasing participation in the EITC program and providing a "teachable moment" where volunteers can provide information about financial education opportunities, financial products, matched saving programs (like Individual Development Accounts (IDAs)), and other asset building programs.[44]

The Kathryn M. Buder Center for American Indian Studies at Washington University reviewed data from 10 VITA sites serving Native communities and found that these programs were able to process a total of 9,746 returns in 2005 which amounted to $3,340,721 worth of EITC claimed and a total of $7,819,102 returned to families through federal tax refunds.[45] The VITA sites studied were located at tribal housing authorities, tribal colleges, tribal business centers, and community-based nonprofit organizations. Approximately 20 percent of the Native clients served by these VITA sites had used paid tax preparers the previous year, and about 10 percent had received a RAL. Fifteen percent were first time filers.

Data from VITA sites serving the Menominee Indian Tribe in Wisconsin revealed that in 2007 over $195,797 in EITC refunds were claimed for 439 filers, and over $563,555 was brought into the local community through federal tax refunds and credits. Managers of the VITA campaign estimated a total of $120,725 was saved by avoiding tax preparation and other processing fees (estimated at $275 per client). The Menominee VITA campaign, which has been in effect since 2004, has grown each year and saved an estimated $22,275 in tax preparation fees in 2005 and $92,125 in 2006, a large impact for Menominee County's small population of 4,562 people.[46] The VITA campaign also increased the number of clients using direct deposit into banking accounts and provided financial counseling to all clients that visited the VITA sites.

While more research is needed, early data suggest that VITA sites and other low-cost tax preparation programs can be effective in reducing the fees that Native American tax filers pay and directing more federal tax dollars back into the economies of Native communities. We recommend that VITA sites and other low-cost tax preparation sites be provided with the resources to support operational expenses, training, and technical assistance so they can effectively offer their services in Native communities. In addition, we support the IRS VITA matching grant program that was piloted in 2008. This program should continue and be expanded both in dollar amount and flexibility (for example, in the future, we recommend that funds be allowed to be used for financial education and asset building programs).

Recommendation 2: **Encourage federal policymakers to establish a rate cap on RALs and other high-cost loans, similar to one that already exists for active-duty military and their dependents.** Congress enacted a law in 2006 which restricts lenders from charging more than 36 percent annual interest on RALs, payday, and car title loans to service members, out of concern that these forms of high-cost credit were creating substantial burdens for these households.[47] As a result, one commercial tax preparer (H&R Block) offers RALs at a far lower rate to members of the military, in compliance with the 36 percent rate cap, while other preparers no longer offer RALs to service members and their families.

President Obama has expressed interest in expanding this protection to all Americans, incorporating a 36 percent national usury cap into his broader consumer protection agenda, and Senator Durbin (D-IL) proposed legislation for this type of usury cap in 2008 which would apply to all credit products. Given this favorable policy environment, we recommend that this cap be adopted and apply not only to RALs but also other loan products that are promoted by tax preparers and affiliated financial service providers. While this would set a federal standard, states would still be able to enact their regulations to further protect their citizens from high-cost lending. In addition, tribal leaders may also be able to pass tribal codes to limit the impact of RALs and other high-cost products offered by tax preparers and lenders.

Recommendation 3: **Conduct public education campaigns in Native communities.** In addition to these recommendations, concerned policymakers, organizations, and tribal leaders can educate EITC recipients and other tax filers about the speed at which they can obtain their tax refund without using RAL products. Tax refunds can usually be received in one to two weeks by direct deposit if the tax return is filed electronically, which could address some concerns from tax filers needing their refund quickly. In addition, tax preparation resources such as VITA sites and the IRS free file program, which allows tax filers of moderate incomes to use tax software to file their taxes for free, should be promoted as an alternative way to secure EITC refunds. In some cases, tax filers are simply not aware that they can obtain their refund and EITC without using a paid tax preparer and getting a RAL.

B. Limitations of this Study and Directions for Future Research

The research conducted for this study presents initial findings of the disproportionate use RALs by EITC recipients in Native American communities. However, there are many opportunities for future research. A more detailed analysis of tax filer data should be conducted to distill findings at a sub-county level to more precisely determine the usage and cost of RALs to those living within the borders of a Native American reservation or OTSA. Further discussions with the Brookings Institution about the potential for estimating tax filer data in this way could yield more exact findings.[48] In addition, this study uses 2005 tax year data from EITC recipients filing their taxes in 2006–the most recent data available. However, current RAL usage and cost of RALs may differ due to a variety of factors, including the availability of new VITA sites, an increase in speed of the delivery of refunds, and new product offerings and pricing by paid tax preparers. A longitudinal study could shed light on changes over time, but a lag in the data would still be present.

There is a great deal of anecdotal evidence about tax preparation firms aggressively marketing their high priced services and RALs on reservations. Case study research at some of the reservations with very high RAL usage among EITC filers may uncover detailed evidence of targeting by paid tax preparers. A more robust analysis could be conducted by looking at the way firms market RALs and tax preparation services to Native people. Such research may also reveal effective strategies for educating the public about alternatives to high priced tax preparation services and RALs.

This analysis does not provide data on urban Indian communities or communities with large Native Hawaiian or Alaska Native populations. Future research should explore the data on the Brookings Institution's EITC Interactive website at different levels of geography to provide data on RAL use (and EITC use) among Native Hawaiian and Alaska Native populations.

Finally, there is a need for future research to examine the ways in which the presence of a VITA program in a Native American community reduces RAL usage. This could be done by comparing the share of EITC recipients using a paid tax preparer and getting a RAL before the VITA program began in that community to years after the program is implemented.

FOOTNOTES

[43] Native Financial Education Coalition. (2008). *Native Financial Education Coalition Policy Recommendations. Rapid City, SD: Native Financial Education Coalition.*

[44] Edwards, K. & Schultz, A. (2007). *Putting the Earned Income Tax Credit (EITC) to Work in Native Communities.* Longmont, CO: First Nations Development Institute.

[45] Wager, K., Jorgenson, M., Edwards, K. & Klar, D. (2006). *Contributions of the EITC to Community Development in Indian Country. Report to the Annie E. Casey Foundation – 2005 Native Community VITA Site Project.* St. Louis, MO: Buder Center for American Indian Studies.

[46] Tourtillott, A. (2007). *College of Menominee Nation Volunteer Income Tax Assistance Program, Final Report.* Keshena, WI: College of Menominee Nation.

[47] The Military Lending Act, which caps interest rates on small loans of 91 days or less to active duty military and their dependents, is part of the John Warner National Defense Authorization Act for Fiscal Year 2007, signed into law in October 2006. The interest rate cap took effect October 1, 2007.

[48] Viewing data at the reservation or OSTA level would ensure we were avoiding problems with ecological fallacy.

VI. CONCLUSION

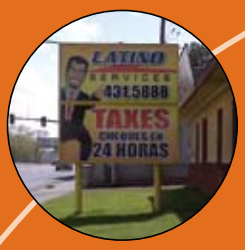
The EITC program is designed to help support working families and reduce poverty. In many communities, including Native communities, hard earned tax dollars are being diverted from their intended targets by high-priced tax preparation services. Our research suggests that many residents of Native communities are using expensive tax preparation services, including RALs, at a higher rate than in many non-Native communities. There is a great deal of work yet to be done to educate the general population about alternatives to expensive tax preparation services and RALs. Native American communities, which are some of the most impoverished communities in the nation, have much to gain by helping their citizens keep more of their tax refund and keeping more federal funds in their local economies. Tribal, state, and federal policymakers should act to ensure that more of the federal funds dedicated to the EITC program reach their designated target: low-to-moderate income working families. The cost of RALs is not only one that affects low-to-moderate income families who use this service, but one that affects the entire taxpaying community whose tax dollars are diverted from their designated target.

APPENDIX A: RURAL-URBAN CONTINUUM CODES

Economic Research Service 2003 Rural-Urban Continuum Codes

Code	*Description*
Metro counties:	
1	Counties in metro areas of 1 million population or more
2	Counties in metro areas of 250,000 to 1 million population
3	Counties in metro areas of fewer than 250,000 population
Nonmetro counties:	
4	Urban population of 20,000 or more, adjacent to a metro area
5	Urban population of 20,000 or more, not adjacent to a metro area
6	Urban population of 2,500 to 19,999, adjacent to a metro area
7	Urban population of 2,500 to 19,999, not adjacent to a metro area
8	Completely rural or less than 2,500 urban population, adjacent to a metro area
9	Completely rural or less than 2,500 urban population, not adjacent to a metro area

These codes are downloadable at http://www.ers.usda.gov/briefing/rurality/ruralurbcon/.



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