



COMPUTER & COMMUNICATIONS
INDUSTRY ASSOCIATION
Open Markets, Open Systems, Open Networks

April 10, 2007

The Honorable Daniel Akaka
United States Senate
141 Hart Senate Office Building
Washington, DC 20510

Dear Senator Akaka:

Although the Computer & Communications Industry Association (CCIA) shares your commitment to promoting and improving the electronic filing of taxes, we must express our concern with S.1074, the "Free Internet Filing Act".

This bill directs the IRS to become a tax preparer by building and deploying its own online e-file "web portal" whereby IRS would wind up providing its own electronic tax preparation and e-filing services. Simply put, this "e-file portal" is anything but free in that the huge costs of its development and implementation will be borne by American taxpayers.

Such an expansion of the IRS would be entirely the wrong approach, putting the government in direct competition with the private sector tax preparation software industry to provide a service already being adequately provided.

Building an IRS Web Portal is unnecessary

- * Today, ALL online Web-hosted tax preparation products and services in the US competitive market already include FREE electronic filing for all taxpayers.
- * 70% of all taxpayers, or 95 million people, are eligible for FREE electronic preparation and e-filing of their tax returns through the IRS Free File program, which is accessible through the IRS.gov website.
- * The Free File Alliance and IRS now forbid the cross-marketing and selling of any ancillary products or services as a result of major program reforms adopted at the end of 2006. This ban includes prohibition of any Refund Anticipation Loans through the free file program.

Building an IRS Web Portal is another example of wasteful government spending

- * Since 70% of all taxpayers are eligible for free services through the Free File program, the IRS Web Portal proposal spends large amounts of taxpayer dollars to build a system to serve the top 30% income bracket. Already faced with severe budgetary constraints, a

new government program to subsidize tax services for the top 30% income earners in the United States does not make sense. Valuable tax dollars could be better used to improve tax services through expanding the national network of IRS Walk-In Centers. Having storefront offices across the country in urban and rural poor communities makes more sense than building a web portal these disadvantaged communities cannot access, and delivers direct help to those who need it the most.

- * The Free File program is for anyone earning \$52,000 AGI or less. This makes the Free File program more generous than any other Federal government tax assistance program.
- * The Free File program costs the Federal Government NOTHING - not one cent of taxpayer money - to operate. On the other hand, government and private estimates of the cost of building and operating a system such as the proposed IRS Web Portal start at several hundred million dollars.

We believe that what American taxpayers need is a real dialogue about tax reform and tax simplification that benefits everyone, not an unnecessary and expensive government program that seeks to replace a successful public-private partnership.

Sincerely,



Edward J. Black
President & CEO
Computer & Communications Industry Association