

Letter to the Honorable Max Baucus

April 11, 2007

The Honorable Max BaucusChairman

Senate Finance Committee

219 Dirksen Senate Office Building

Washington DC 20510
Bill 1074

re: Opposition to Senate

Dear Chairman Baucus: On behalf of our 140 chapters located within 41 states and to the 100,000+ businesses we have direct reach we strongly urge you to oppose S.1074, the "Free Internet Filing Act" introduced by Senator Daniel Akaka (D-HI).

This bill directs the IRS to become a tax preparer and build and deploy its own online e-file "web portal" where the IRS would also provide its own electronic tax preparation and e-filing services. Simply put, this "e-file portal" is anything but free and will actually hurt the American taxpayer. Such an expansion of the IRS would be entirely the wrong approach, and it puts the government in direct competition with the private sector tax preparation software industry where consumers have a choice in who can assist them with filing their taxes.

Under Senator Akaka's bill this choice will be taken away from the consumer as they will be forced to use a government tax preparation system.

Other problems with this legislation include:

*All online web-hosted tax preparation products and services in the US competitive market already include FREE electronic filing for all taxpayers.

Many online tax products in the marketplace today also offer free services for both tax preparation and e-filing combined.

*Right now 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 internet on IRS.gov. The Free File program costs the Federal Government NOTHING, not one cent of taxpayer money, to operate.

*Government and private estimates of the cost of building and operating a system such as the proposed IRS Web Portal start at several hundred millions of dollars and rise from there.

*Since 70% of all taxpayers are eligible for free services through the Free File program, the Web Portal proposal spends large amounts of taxpayer dollars to build a system to serve the top 30% income bracket. With all the critical needs already pressing, a program to subsidize tax services for the top 30% income earners in the United States is very difficult to justify.

*Many companies in the Free File Alliance offer the filing of a Schedule C form for FREE for those taxpayers who meet the eligibility requirements, and supplement their income by running a small business out of their home.

*Passage of any bill that authorizes IRS to build and operate an IRS Web Portal would end the Federal Free File program and all the twenty one State Free File programs thus effectively creating an unfunded mandate on all these States who would have to now follow suit and build their own tax systems to replace their previous free programs.

*In March 2007 the Canadian government's centralized Net-File system crashed in the middle of that country's tax season, shutting down all income tax return filing in the nation for more than a week. Consider what would happen if 20 million people e-filed the IRS Web Portal on the night of April 14th in a future tax season. System failure is not the only risk. The danger of internet hacking or deliberate system disruption would greatly increase as a result of switching from a highly decentralized e-filing system to one that is centralized.

Rather than pursuing a risky new Web-based system that many citizens could not even use, why not use valuable tax dollars to improve tax services to improve and expand the national network of IRS Walk In Centers. Having storefront offices across the nation in urban and rural poor communities makes more sense than building a web portal these communities cannot access and delivers direct help to those who need it the most.

We hope you agree that rather than wasting tax dollars on a risky new government system, the time is now to begin a real dialogue about tax reform and tax simplification that could benefit everyone. One way to start is by stopping programs proposed by Senator Akaka. Protect taxpayers and oppose S.1074.

Sincerely,

Harry C. Alford

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President/CEO

