



Consumer Federation of America



Consumer Action
Education and Advocacy Since 1971

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**CONSUMER GROUPS SUPPORT
FREE DIRECT ELECTRONIC FILING WITH IRS**
Express Concern About Alternate Proposal To Prohibit Free Filing

Representatives of leading consumer groups issued a letter of support for a bill that would require the Internal Revenue Service to provide for free direct electronic filing through the IRS website. The bill, which is S. 2550 and entitled the "Free Internet Filing Act," was introduced by Senator Daniel Akaka (D-HI) and co-sponsored by Senator Jeff Bingaman (D-NM). Signing onto the letter were the National Consumer Law Center, Consumer Federation of America, U.S. PIRG, Consumer Action, and others. Consumer advocates also expressed concerns regarding another bill in Congress, H.R. 5114 (Hart-R-PA) which would prohibit the IRS from providing free electronic filing services except through the Free File program, volunteer programs, and other limited venues.

"We commend Senators Akaka and Bingaman for introducing the Free Internet Filing Act," stated Chi Chi Wu, Staff Attorney at the National Consumer Law Center, "Taxpayers will benefit tremendously from the ability to directly file their taxes electronically with the IRS."

Currently, taxpayers must go through a commercial third party website in order to file electronically. Some taxpayers can use the IRS-established Free File program to file electronically for free, but at the cost of being pitched various paid products such as state tax return preparation and review by a tax "professional."

"Not only would the Free Internet Filing Act save taxpayers the fees charged by some commercial preparers for electronic filing, it will save them from cross-marketing for high cost, high risk products, such as refund anticipation loans and other financial products which may not be in their best interests," commented Jean Ann Fox, CFA's Director of Consumer Protection.

Linda Sherry, National Priorities Director at Consumer Action stated, "Our overly complex tax code has created a system that enriches the third-party tax preparation industry. The IRS shouldn't expect taxpayers to pay a third-party to submit their taxes online, when filing a paper return is free. Where's the logic in that?"

Consumer advocates noted that S. 2550 will also help taxpayers to keep their information private. By allowing free direct electronic filing with the IRS, taxpayers will have the ability to bypass commercial preparers that might exploit or share their personal, confidential tax information for non-tax purposes.

“Every time sensitive tax information needs to change hands, that’s another opportunity for the information to be sold, shared, leaked or stolen,” noted Chi Chi Wu. “By shortening the route of electronic filing from the taxpayer straight to the IRS, the Free Internet Filing Act cuts out the middleman and the risks to taxpayer privacy and data security.”

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According to Ed Mierzwinski, Consumer Protection Director at U.S. PIRG, “It’s hard to believe that in 2006, taxpayers can’t file their taxes electronically directly with the IRS and instead are forced to use a third party corporate welfare program with the Orwellian name ‘Free File’. Many taxpayers find that they cannot file for free and all taxpayers must run a gauntlet of add-on fees. It’s even harder to believe that some in Congress want to prevent the IRS from fixing this problem and moving into the 21st Century.”

A copy of the consumer groups’ letter is available at www.consumerlaw.org.

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NCLC is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government and private attorneys, as well as organizations, who represent low-income and elderly individuals on consumer issues. Website: www.consumerlaw.org

CFA is a nonprofit association of some 300 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through advocacy and education. Website: www.consumerfed.org

U.S. PIRG serves as the federal lobbying office for the state Public Interest Research Groups, which are non-profit, non-partisan public interest advocacy organizations. Website: www.uspirg.org

Consumer Action, founded in 1971, is a national non-profit education and advocacy organization headquartered in San Francisco with offices in Los Angeles and Washington, DC. CA has a national reputation for multilingual consumer services in the fields of credit, banking, privacy, insurance and telecommunications.