



Consumer Federation of America



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## **IRS PROPOSAL WOULD LET TAX PREPARERS SELL CITIZEN TAX RECORDS TO THIRD PARTIES**

### ***Consumer Groups Demand Improvements To IRS "Privacy" Rule Proposal***

Representatives of leading consumer groups today called upon the Internal Revenue Service to drop a "shocking" proposal that would allow commercial tax preparers to share and even sell confidential taxpayer information to third party marketers and database brokers. The groups also called on the IRS to delete exceptions that allow tax preparers to cross-market over-priced triple-digit APR Refund Anticipation Loans to taxpayers.

"Privacy protections for tax information are especially critical given the largely voluntary nature of the U.S. tax system," said Chi Chi Wu, NCLC Staff Attorney "Our system depends on taxpayers providing detailed personal financial information to the federal government to ensure accurate payment of taxes, the lifeblood of government."

"I'm shocked, but not surprised, that the same IRS that let Richard Nixon and many other Presidents run roughshod over the privacy of ordinary American citizens now wants to let powerful special interests plunder our confidential tax records for commercial gain," added Ed Mierzwinski, Consumer Program Director of U.S. PIRG.

Representatives of the National Consumer Law Center (NCLC), Consumer Federation of America (CFA), and U.S. Public Interest Research Group (PIRG) issued formal comments in response to a December 8, 2005 proposal by the IRS to revise its privacy regulation governing tax preparers. The regulation creates exceptions to a law that is currently highly protective of taxpayer information and prohibits commercial preparers from disclosing a consumer's tax return information or using it for any other purpose than preparing the taxpayer's return.

The IRS proposal does make a few improvements to the privacy rule, such as requiring consent for off-shoring of taxpayer information. However, the IRS needs to significantly strengthen the proposal in order for it to provide real protections for taxpayer privacy.

The consumer groups' comments called on the IRS to eliminate the exception that permits commercial preparers to use confidential tax information to sell other products to the taxpayer. In particular, this exception has played in a critical role in enabling the growth of the \$1 billion plus refund anticipation loan (RAL) industry, which charges consumers triple digit interest rates for loans lasting about 1 to 2 weeks.

Commercial preparers can use tax return information by obtaining the consumer's signature on a consent form, which is easily done since the form is included in the stack of documents given to consumers for signature at the end of the tax preparation process. Thus, if the consent exception is retained, the consumer groups noted the need for stronger measures to ensure that consumers actually have a chance to understand what they are giving up when they agree to be cross-marketed.

The most disturbing part of the IRS proposal is a change that would allow preparers to seek consent for disclosure of return information to other third party businesses for marketing purposes. Representatives of the consumer groups expressed concerns that these changes would permit commercial preparers to sell tax return information to data brokers.

"Given the recent highly publicized instances of data security breaches by information brokers, credit card processors, financial institutions, and merchants, we are astounded that the IRS has proposed changes that might enable data brokering of the information in tax returns," stated Jean Ann Fox, CFA's Director of Consumer Protection, "A breach involving tax information would seriously erode public confidence in the security and privacy of sensitive tax information."

A full set of the consumer groups' formal comments is available at [www.consumerlaw.org](http://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](http://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](http://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](http://www.uspirg.org)