



April 11, 2007

The Honorable XXX  
Member, United States Senate  
Senate Office Building  
Washington, DC 20510

**RE: *Oppose S. 1074, the "Free Internet Filing Act"***

Dear Senator XXX:

***On behalf of the members of The Latino Coalition and our partners 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 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:

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

- \* Today... 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.
- \* 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.
- 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 and rise from there.

### ***Who is this Web Portal really for?***

- \* 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.

### ***The Free File Alliance is a consumer safety zone***

- \* 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 selling ban includes prohibition of any Refund Anticipation Loans through the free file program.

### ***The Free File Alliance helps small business owners***

- \* 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.

### ***Replacing the Free File Alliance with an IRS Web Portal creates an unfunded mandate on twenty-one states***

- \* Twenty-one States have taken advantage of the IRS Free File program by creating their own State Free File programs that fully incorporate the Agreement reached by IRS with the American software industry. The States were able to leverage the benefits of the program for their state taxpayers, to obtain free State Tax Returns with free E-Filing at no cost.
- \* 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.

### ***A direct IRS e-filing portal creates a single point of failure risk to the U.S. Tax System***

- \* The proposal to create a central IRS Web Portal where all e-filing of US tax returns would originate and flow would create a highly vulnerable single point-of-failure in the US tax system which does not now exist.
- \* Today, e-filing of tax returns in the United States comes from a broad, diverse and decentralized system of private service providers. Centralized provision of these services by government has created serious problems in places where it has been tried.

- \* For example, 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 result of switching from a highly decentralized e-filing system to one that centralized.

***Poor and EITC eligible taxpayers without computers or internet access will not be helped by a online IRS Web Portal***

- \* 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 country 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.

***Oppose S 1074***

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 this program proposed by Senator Akaka. Protect taxpayers, and oppose S. 1074.

Best regards,



Héctor V. Barreto  
Chairman