



900 17th Street, N.W.
Suite 1100
Washington, DC 20006
Phone: 202.783.0070
Fax: 202.783.0534
Web: www.ccianet.org

ABSTRACT

Computer & Communications Industry Association

GOVERNMENT COMPETITION

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- *Government should not use the Internet and e-commerce as a platform for directly competing against private sector market participants. CCIA supports e-government but opposes government e-commerce.*
- *Government competition in commercial markets is antithetical to a successful free market.*

Background: Electronic commerce, the Internet and computing promise new opportunities for businesses and services. Unfortunately, Federal and State governments increasingly view the Internet and electronic commerce as a new platform for government-provided products and services for consumers in direct competition with private sector market participants. These *e-commerce* ambitions by government entities are separate and distinct from *e-government* initiatives to digitize and modernize traditional governmental functions.

CCIA's Positions: CCIA applauds e-government initiatives that modernize government functions through the Internet and computing. They are an appropriate and important part of good government reinvention and reengineering. E-government, however, is not e-commerce.

CCIA views government efforts to launch competitive e-commerce initiatives with great trepidation. While we support government efforts to modernize operations, improve taxpayer services and utilize the tools and technologies of the Information Age, we cannot countenance the government as a competitor in commercial markets. Such activity is antithetical to a successful free market and unfair to American taxpayers and shareholders of private businesses that are forced to compete with publicly-funded government entities. Simply put, the U.S. Government exists to perform essential functions for its citizens. Launching commercial enterprise is not one of them.

Current Issues:

Free File Alliance

CCIA has continued to support the Free File Alliance, a consortium of private tax preparers in partnership with the Internal Revenue Service, which offers online tax preparation services free to most taxpayers. Free File leverages the reach of government with the innovative and efficient expertise of industry, and is precisely the kind of alternative to government competition that CCIA advocates. The Alliance has shown private sector responsiveness and flexibility in voluntarily eliminating such ancillary offerings as Refund Anticipation Loans from the program in the face of complaints and criticism, and remains a most effective instrument in promoting electronic filing of tax returns.

“I-File” System

I-File is a proposal currently being considered by the federal government as a way of increasing the percentage of Americans who file their tax returns electronically. The IRS would develop an online tax preparation and e-filing system to allow individuals to prepare their returns and submit them directly to the IRS. CCIA has commissioned a study, “The Benefits and Costs of I-File”, which provides an economic analysis that examines and puts into perspective the costs and benefits of such a system. The study draws upon lessons to be learned from the experiences of the United Kingdom and at the state level. The study concludes that an IRS I-File program would cost more than its benefits, and come with a significant risk of failure. Therefore, the study finds that promotion of e-filing would be better achieved through existing programs such as Free File.