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Computer & Communications Industry Association

ABSTRACT

GOVERNMENT COMPETITION

April 2012

- *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 sometimes 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 re-engineering. 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 support the government as a competitor in commercial markets. Such activity is antithetical to a successful free market and unfair to both American taxpayers and shareholders of private businesses, who 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 enterprises is not one of them.

CCIA believes that the government injecting itself into the competitive software industry market with the goal of replacing private financial services will have new and far-reaching impacts, such as destabilizing competition, private investment and innovation. The important goals of tax simplification and tax reform can be achieved without unnecessarily inserting the federal government into a new economic role currently played by the private technology sector. Reduction of taxpayer burden can be achieved by non-monetary partnering with the private sector without reducing the essential citizen-centric and decentralized character of the U.S. voluntary compliance tax system.

Current Issues:

Free File Alliance

CCIA continues 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 70% of taxpayers (Adjusted Gross Income (AGI) of $57,000 or less for 2011). 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 by voluntarily eliminating from the program such ancillary offerings as the Refund Anticipation Loan, in the face of complaints and criticism. The Alliance remains the most effective instrument in promoting electronic filing of tax returns. According to an IRS survey, 95% found Free File easy to use, and 98% would recommend the program to others. Despite this, there are some in Congress who continue to call for the IRS to develop its own free online tax software. In order to prevent such a flagrant intrusion of government into a commercial market, CCIA strongly supports H.R. 2569 (the Free File Program Act), which would make the Free File Program permanent.

The Free File Alliance also partners with 22 states to provide free state tax filings with the same AGI requirement of $57,000 or less. CCIA will continue to push for expansion of the program to other states.

"Return-Free" Filing

"Return-Free Filing" is a proposal being considered by the federal government as a way of simplifying the tax filing process. Rather than the taxpayer personally filling in the required information, the IRS would use the information it receives from employers and financial institutions to fill out the returns and send them to the taxpayer for approval. CCIA commissioned a study, "The Benefits and Costs of Implementing 'Return-Free' Tax Filing in the U.S.", which provides an economic analysis of the costs and benefits of such a system. The study found that eligibility and participation rates would be lower than what proponents had estimated, that implementation costs (including the cost for the IRS to gather and process information to generate returns) would be significant, and that there is no evidence it would reduce under-reporting or the tax gap. Therefore, the study found that the cost of "Return-Free" would exceed the benefits by a significant margin and would harm, not help, taxpayers.

"Return-Free" is also problematic in that it erodes the tradition of Voluntary Compliance and lessens the degree of citizens' engagement in the tax system, as taxpayers would merely have a prepared return presented to them by the government rather than personally confronting their finances on a yearly basis. There is also an inherent conflict of interest in having the tax collector (who seeks to maximize tax revenue) also acting as the tax preparer (who should seek to minimize tax liability). For these reasons, CCIA strongly supports H.R. 2528 (the Taxpayer Freedom to File Protection Act), which would prohibit development of a return-free system. CCIA is also supporting the Stop IRS Takeover Campaign, which seeks to raise awareness of this issue by providing information and resources on the costs and risks of "Return-Free."