

# IRS



## Fact Sheet

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### **IRS DETAILS FREE FILE INITIATIVE; MILLIONS ELIGIBLE FOR FREE ONLINE PREPARATION AND E-FILING**

The majority of American taxpayers will be eligible for free online tax preparation and free electronic filing through a partnership agreement between the Internal Revenue Service and the Free File Alliance, LLC, a private-sector consortium of tax software companies.

Each Free File Alliance member sets taxpayer eligibility requirements for its program. Requirements will differ company to company. Generally, eligibility will be based on factors such as age, adjusted gross income, state residency, military status or eligibility to file a Form 1040EZ or for the Earned Income Tax Credit.

The agreement requires the Alliance, as a whole, to provide free services to at least 60 percent or 78 million of the nation's taxpayers through April 15. The primary candidates for Free File are those taxpayers who prepare their own taxes and still file paper returns. Last filing season, the IRS received nearly 85 million paper returns and nearly 47 million e-filed returns.

The IRS neither supports nor endorses any individual Free File Alliance company or product. As part of the agreement, the IRS provides to taxpayers a listing of the Alliance members via the Free File web page, which is hosted on IRS.gov. The Free File Alliance members must comply with all federal laws protecting taxpayer information.

The firms' online preparation and filing services are being provided to eligible taxpayers at no charge. Taxpayers are under no obligation to purchase any products such as Refund Anticipation Loans. Taxpayers generally will receive their refund within 10 days if they use both e-file and direct deposit. Refunds from mailed paper returns can take up to six weeks.

#### **STEPS TO GET STARTED**

Taxpayers can locate the Free File Website through IRS.gov and, by following a few simple steps, be on their way to getting their taxes where they want them – done.

##### **STEP 1: DETERMINE ELIGIBILITY**

At the Free File homepage, taxpayers have two options for determining their eligibility for free services: They may browse the complete listing of Alliance members and their free services. Or, taxpayers can use a questionnaire application, the Free File Wizard, which

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will assist taxpayers in identifying those free services for which they may qualify. Each Alliance member will identify their company name and will have a simple description of the criteria for using their free service. Each Alliance member's company or product name will be linked to additional information about the company and services. Not all taxpayers will be eligible for these free services.

#### **STEP 2: LINK TO FREE SERVICES**

Upon determining eligibility, the taxpayer can link directly to that Alliance member's free service by clicking on the Alliance member's "Start Now" link. Upon doing so, taxpayers will be notified they are leaving the IRS.gov web site and are entering an Alliance member's web site.

#### **STEP 3: PREPARE AND FILE TAX RETURN**

At the Alliance member's Web site, taxpayers can prepare their tax returns using the member's online proprietary software. Completed tax returns will be sent electronically from the Alliance member to the IRS through existing e-file system using secure telephone lines. Taxpayers will receive an acknowledgement of receipt or rejection of their return via an email from the Alliance member.

#### **WHAT ARE THE BENEFITS?**

The intent of IRS Free File is to reduce the burden on individual taxpayers, make tax preparation easier and expand the benefits of electronic filing to a majority of Americans. The benefits of using these free services are identical to those of e-filing, which include:

- Reduced tax return preparation time;
- Faster refunds;
- Accuracy of return;
- Acknowledgement of return receipt.

Alliance members' proprietary software will assist taxpayers in completing their returns and help ensure taxpayers are aware of tax credits and deductions for which they may be eligible. The tax preparation software has been tested for compatibility with the IRS. Accurate online preparation and filing vastly reduces errors. Common mistakes, such as math errors or transposing Social Security numbers, can require the IRS to delay refunds while resolving the problem.

Also, e-file users can file now and pay later if they owe taxes. E-filers can pay taxes electronically by authorizing an electronic funds withdrawal from a checking or savings account or by using a credit card. Or, they can mail a check to the IRS by April 15.

IRS's electronic filing program has been in existence since 1986. In 2002, 47 million returns were filed electronically. IRS e-file consistently has a high satisfaction rate among its users.

## **FREE FILE ALLIANCE MEMBERSHIP**

On October 30, 2002, the IRS and the Free File Alliance, LLC, signed an agreement that created a public-private partnership to provide free services to the majority of taxpayers. The agreement stemmed from an e-government initiative by the Bush Administration. The partnership will support IRS's goal of having 80 percent of all tax returns filed electronically by 2007. The Free File agreement is for three years with a series of two-year renewal options.

The IRS does not determine Free File Alliance membership, but members must meet certain IRS standards. The Alliance membership may change periodically. As part of the e-file application and testing process, the IRS must approve the Free File Alliance members' proprietary tax preparation software. Each Alliance member must obtain third-party privacy and security certification. And, Alliance members must adhere to all federal laws regarding taxpayer privacy. Each Alliance member is free to set its own eligibility requirements for its free services. The Alliance will be managed by the Council for the Electronic Revenue Communication Advancement (CERCA).

Previously, some software and tax preparation companies provided some free services to low-income taxpayers. The free services, however, were not consistently available or widely publicized. The agreement brings all the free services to a single location, IRS's Free File homepage, and allows taxpayers to compare the free services available.

**(See attached list of Free File Alliance members)**

## Free File Alliance Members

As of January 16, 2003

Company	Eligibility Criteria
<b>CCH Inc. (Complete Tax)</b>	Taxpayers with an AGI of \$33,000 or less
<b>TaxSlayer</b>	Taxpayers with an AGI of \$30,000 or less or all active military personnel.
<b>H&amp;R Block</b>	Taxpayers with an AGI of \$28,000 or less
<b>Tax\$imple</b>	Taxpayers with an AGI of \$28,000 or less
<b>Free 1040 Tax Returns, Inc.</b>	Taxpayers with an AGI of \$25,000 or less
<b>Free Tax Returns.Com, Inc.</b>	Taxpayers with an AGI of \$28,000 or less
<b>#1 Discount Tax Return Service</b>	Taxpayers with an AGI of \$27,500 or less
<b>Efile Tax Returns, Inc.</b>	Taxpayers with an AGI of \$28,000 or less
<b>TaxEngine.com</b>	Taxpayers with an AGI of \$9,200 or less
<b>Intuit, Inc. (TurboTax)</b>	Taxpayers with an AGI of \$27,000 or less and taxpayers who qualify for the Earned Income Credit (EIC) regardless of their income level
<b>2nd Story Software, Inc. (TaxACT.com)</b>	Taxpayers eligible to file a Form 1040EZ or taxpayers with an AGI of \$100,000 or more.
<b>ezTaxReturn.com</b>	Taxpayers who are eligible to file Form 1040EZ and have an AGI of \$25,000 or less.
<b>my1040EZ.com, Inc. (FreeTaxUSA)</b>	Taxpayers who are age 20 or younger or age 45 or older.
<b>TaxBrain</b>	Taxpayers age 50 or older or Taxpayers with an AGI of \$12,000 or less.
<b>FileYourTaxes.com</b>	Residents of WI, MI, AZ and GA
<b>OnLine Taxes, Inc.</b>	Taxpayers age 20 or younger.
<b>C&amp;S Technologies (eSmartTax)</b>	Residents of IL and NY

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