

IRS News Release

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IRS e-file Now Available; Free File Opens Third Year

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WASHINGTON — The Internal Revenue Service today marked the opening of IRS e-file with an appeal to taxpayers and tax professionals alike: Hit the 'send' button.

Fast, accurate and secure, IRS e-file marks a major milestone this year as half of the nation's taxpayers are expected to file their tax returns electronically. The popular program favored by millions of taxpayers is now available for use.

Also, Free File — the free tax-service partnership and an important component of IRS e-file — opens its third year with free service offerings to more taxpayers than ever who have access to a computer and the Internet.

"IRS e-file has proven itself to taxpayers year after year. It is fast, accurate and secure. It's easy to use. Taxpayers can receive their refunds in half the time," said IRS Commissioner Mark W. Everson. "I also would urge all tax preparers to consider electronically filing their clients' returns. IRS e-file is good for business, whether you are a taxpayer or a tax professional."

The IRS expects half of the 133 million taxpayers will file their returns electronically. Last year, nearly 62 million tax returns were filed electronically. IRS e-file began as a pilot project in three cities (Phoenix; Cincinnati, Ohio and Raleigh/Durham, N.C.) in 1986 and 25,000 returns were electronically filed. The program opened nationwide in 1990 and 4.1 million returns were electronically filed.

Taxpayers can file their returns electronically either by using an e-file-approved tax professional, purchasing over-the-counter computer software or downloading Internet-based software.

Since 2003, taxpayers also have been able to access free tax software and free e-filing through the IRS Web site thanks to a public-private partnership. The IRS and a consortium of tax software manufacturers offer free services through Free File. Last year, more than 3.5 million taxpayers used Free File. At the start of this year, the Free File program includes 15 companies, with more possible in coming weeks.

For 2005, any taxpayer with access to a computer and the Internet will qualify for Free File. Each company sets its own criteria for free usage. The criteria varies but often is based on income, state residency and age. Some have no restrictions for participation.

Companies are allowed to alter their offers during the filing season.

“We’ve once again expanded the population of those who can participate in e-file,” Everson said.

The vast majority of electronically prepared returns are filed by tax professionals. However, the fastest growth rate is among taxpayers using software to prepare their own returns. The number of self-prepared computer filed returns has nearly tripled recently to 14.5 million returns in 2004 from 5 million returns in 2000.

In addition, the IRS estimates that more than 35 million tax returns each year are prepared on a computer. However, instead of using the e-file option and hitting the ‘send’ button, taxpayers and tax preparers hit the “print” button and mail in the return. The IRS encourages these taxpayers to consider the benefits of filing electronically.

“It’s the fastest, easiest way to do your tax return,” Everson said. “There are fewer errors so there are fewer refund delays. And, if you e-file and use direct deposit, you can receive your refund in approximately two weeks.”