



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release
Tuesday, May 2, 2006

Contact: Carol Guthrie
202-224-4515

USE OF “FREE FILE” PROGRAM DRAMATICALLY DOWN AMONG AMERICAN TAXPAYERS FILING 2005 RETURNS

Baucus continues call for more direct, truly free filing on IRS website

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Member on the Senate Finance Committee, today commented on an IRS report showing a precipitous drop in the use of the “Free File” program by Americans filing their 2005 tax returns. Reports showing various filing season statistics are compiled weekly by the IRS. The latest, dated April 28 and provided to Baucus, reveals that nearly 23 percent fewer American taxpayers chose to use “Free File” to complete and turn in their taxes this year than did last year. The Free File Program is a partnership between IRS and for-profit preparers, in which the private preparers are meant to provide no-cost tax preparation and filing services. The program may only be used by taxpayers with an adjusted gross income of \$50,000 or less. Many preparers also have age restrictions for Free File participants.

“Fewer Americans are seeing Free File as the best way to turn in their taxes,” said Baucus. **“From age and income restrictions to frequent hidden fees, folks are finding roadblocks rather than reasons to use this program. It’s time to look for a more direct route for taxpayers to e-file for free with the IRS.”**

The IRS filing report dated April 22, 2006, indicates that 1.2 million fewer taxpayers used the Free File service to file their 2005 tax returns than in the prior year. At an April 4 Senate Finance Committee hearing on the 2005 filing season, Baucus questioned whether the “Free File” program is working as it should. Taxpayers who use the program often encounter hidden costs and offers to buy upgrades or products such as refund anticipation loans. At the time of the hearing, weekly IRS filing season reports were already showing consistent decreases in Free File use. At the conclusion of the hearing, Baucus urged the IRS to find a way to provide truly no-cost online tax preparation and filing to American taxpayers directly on the IRS website.

- 1 more -

2006 FILING SEASON DATA*

For Week Ending: 4/22/2006

Cumulative Filing Season Data	2005 Actual	2006 Actual	% Change
Returns (from weekly IIRAPHQ):			
Total IMF Returns Received (000's)	120,133	122,721	2.15%
Paper Returns Received (000's)	54,172	52,653	-2.80%
Electronic Returns Received (000's)	65,961	70,069	6.23%
Practitioner	46,013	50,329	9.38%
Home Computer	16,668	19,739	18.42%
Free File (Included in Home Computer Total)	5,009	3,872	-22.70%
Refunds (from weekly IIRAPHQ):			
Total # (000's)	84,741	85,151	0.48%
Total \$ (Millions)	\$181,711	\$190,521	4.85%
Average \$	\$2,144	\$2,237	4.34%
Direct Deposit # (000's)	49,400	53,056	7.40%
irs.gov Activity:			
irs.gov visits	113,548,094	121,859,609	7.32%
"Where's My Refund?"	17,621,673	20,395,003	15.74%
Toll-Free Performance:			
Total Assistor Calls Answered	15,585,174	14,625,617	-6.16%
Assistor Level of Service	81.8%	82.0%	0.22%
Total Automated Calls Completed	19,803,107	18,555,261	-6.30%
Tax Law Customer Accuracy Rate (March)	88.2%	90.0%	2.10%
Accounts Customer Accuracy Rate (March)	91.6%	93.0%	1.48%
Taxpayer Assistance Centers' Performance:			
Field Assistance Walk-In Contacts (w/e 4-15-06)	3,348,050	2,862,990	-14.5%
Volunteer Assistance:			
Volunteer Return Preparation	1,917,044	2,068,504	7.9%
Volunteer E-File (%)	84.1%	88.4%	5.1%
Outreach Contacts (Monthly) (as of 3-31-06)	59,395,973	64,960,122	9.4%

* Source: Internal Revenue Service

###