



For Immediate Release
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**IRS SAYS IT CANNOT VERIFY ACCURACY
OF FREE FILE TAX PROGRAMS OFFERED ONLINE**

Treasury review finds that agency does not check code of online filing tools

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Member Chuck Grassley (R-Iowa) today expressed serious concern over an audit finding computing errors in the commercial tax software currently provided through the IRS’s Free File program. Free File directs low-to-middle income taxpayers from the IRS website to online tax preparation firms for tax assistance. The audit by the Office of the Treasury Inspector General for Tax Administration (TIGTA) identified multiple calculation errors made by the commercial software of Free File Alliance firms and recommended that the IRS test the software for tax law accuracy. While admitting that it does not conduct such tests, the IRS disagreed with TIGTA’s recommendation, saying that testing commercial software for tax code compliance would be all but impossible. Furthermore, the IRS acknowledged that it has no contractual authority to require Alliance members to correct identified errors.

“When the IRS refers taxpayers to an online filing service, those taxpayers have a right to expect accurate tax preparation. If the IRS really doesn’t have the authority to require its Free File partners to get the software right, then they’ve got a bad agreement with these companies that doesn’t protect taxpayers as it should,” said Baucus. **“At a minimum, the IRS needs to provide better assurance that Free File tax software can handle the most basic tax scenarios. But this report underscores the need for a direct filing portal on the IRS website, where the agency makes certain that the tools supplied to taxpayers comply with the tax code.”**

Grassley said, **“This is frustrating for Congress and taxpayers alike. We’re in the digital age. We have cameras on our cell phones. We have Blackberries. But we can’t get a free electronic filing option for taxpayers to work right. Some of these software programs can’t properly compute a tax return using common basic scenarios. Reliability and accuracy are a problem. Taxpayers have every reason to question whether they’d be better off with a pencil and an abacus than using the current free file program. That has to change. Taxpayers should have the option of a free, accurate way to file their taxes electronically. Congress and the IRS need to ride herd over the software companies, ensure corrections of flagrant problems, and make this program work.”**

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Current tax software is held to a minimum standard, and TIGTA agreed that testing all software for compliance with all laws is not feasible. But TIGTA concluded that the IRS could easily test software used as part of the Free File Alliance for common tax scenarios, just as TIGTA had done during the audit with limited resources.

TIGTA also found that the IRS does not sufficiently promote its Free File program. Many American taxpayers with incomes less than \$50,000 per year are eligible to use the service, but few take advantage. The IRS agreed to develop a comprehensive marketing Free File marketing program.

The full report “Additional Action Is Needed to Expand the Use and Improve the Administration of the Free File Program,” number 2007-40-105, is available online at <http://www.treas.gov/tigta/auditreports/2007reports/200740105fr.pdf>.

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