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## **REPORT BACKS CONCERNS OVER IRS SHUTDOWN OF FREE TELEFILE PROGRAM FOR TAXPAYERS**

*Treasury Inspector General concludes IRS decision to discontinue program  
was premature and created unnecessary taxpayer burden*

*Washington, DC* – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Member Chuck Grassley (R-Iowa) renewed their criticism of the decision by the Internal Revenue Service (IRS) to shut down its free telephone tax filing service this year. A new report released by the Treasury Inspector General for Tax Administration (TIGTA) verifies that discontinuing the TeleFile program created substantial costs and burdens for millions of American taxpayers. The Senators objected as early as 2005 to IRS plans to end TeleFile, citing the potential for increased costs to the low-to-middle income taxpayers using the program. TIGTA found that without the option of TeleFile in 2006, taxpayers who converted to e-filing paid an estimated \$24 million to file tax returns that would have been free through TeleFile. One-half of eligible Telefilers reverted to paper filing, losing the benefits of faster refunds, increasing the risk of error, and raising processing costs for the IRS.

**“The IRS did not have the best interests of taxpayers in mind when it chose to get rid of TeleFile. Instead it chose to shift costs on to the American people and increase the burden to taxpayers,”** said Baucus. **“I expect the IRS to make it easier and cheaper for taxpayers to file their returns, not more difficult and costly, which is precisely why I support a free filing portal direct to the IRS. Eliminating TeleFile was a huge step backward in the journey toward that goal. The IRS made a foolish mistake in eliminating TeleFile, and their error is costing hard-working Americans time and money.”**

Grassley said, **“For 13 years, this program had millions of loyal, satisfied customers. Then the IRS yanked the rug out from under them. That move was contrary to efforts to promote electronic, free, convenient, paperless filing. What’s worse is today’s report determined that the IRS used outdated, inaccurate information to support its decision. The IRS also based its decision on declining usage, but the report found that the agency’s own cost-saving measures played a big role in the declining participation. In effect, the IRS created its own self-fulfilling prophecy and thereby initiated a regressive tax increase by shifting costs from the IRS to the former TeleFile users – 67.7 percent of whom had total income less than \$25,000. The IRS needs to reinstate a method of free, direct electronic filing for these taxpayers. I look forward to working with Chairman Baucus to address this issue when the committee considers key taxpayer improvements in a ‘good government’ bill sometime this year.”**

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Before its elimination, TeleFile had a 90 percent customer satisfaction rating with an average of four million low-to-middle income taxpayers using the program to file their taxes for free by phone. The IRS, citing increasing costs and declining TeleFile participation in canceling the program, asserted that each TeleFiler would have a no-cost alternative to file taxes. TIGTA disputed that claim, however, finding that the TeleFile alternatives offered to taxpayers were often more difficult, requiring computer and internet access and contained filing or income restrictions not present in TeleFile.

The full report, number 2007-40-116 “Eliminating TeleFile Increased the Cost and Burden of Filing a Tax Return for Many Taxpayers,” is available at:

<http://www.treas.gov/tigta/auditreports/2007reports/200740116fr.pdf>.

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