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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE RESOLUTION

No. 252 Session of  
2003

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INTRODUCED BY MARKOSEK, COSTA, FABRIZIO, LEH, PHILLIPS, BEBKO-  
JONES, CAWLEY, HERSHEY, JAMES, JOSEPHS, LESCOVITZ, LEVDANSKY,  
McGEEHAN, PRESTON, READSHAW, SAINATO, SCRIMENTI, SHANER,  
TIGUE, TRAVAGLIO, WASHINGTON AND YOUNGBLOOD, APRIL 29, 2003

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REFERRED TO COMMITTEE ON INTERGOVERNMENTAL AFFAIRS,  
APRIL 29, 2003

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A RESOLUTION

1 Urging the United States Department of the Treasury to amend  
2 regulations under 26 U.S.C. § 7216 to prohibit commercial tax  
3 preparers who participate in the Free File program from  
4 marketing financial products and services to taxpayers and  
5 using confidential tax information for cross-marketing  
6 purposes.

7 WHEREAS, In 2001 the Office of Management and Budget  
8 instructed the Internal Revenue Service (IRS) to provide free  
9 on-line tax return preparation and filing services to taxpayers  
10 in an effort to enhance Government to citizen electronic  
11 capabilities and encourage increased use of electronic tax  
12 filing; and

13 WHEREAS, In October 2002 a public-private partnership  
14 agreement was officially signed between the IRS and the Free  
15 File Alliance, LLC, a group of tax software companies managed by  
16 the Council for the Electronic Revenue Communication Advancement  
17 to provide free on-line tax preparation and electronic filing  
18 services to an estimated 78 million taxpayers; and

1       WHEREAS, Nearly 53 million taxpayers anticipate using the  
2 Free File program to electronically file for Tax Year 2002; and

3       WHEREAS, The Free File agreement grants authority to each  
4 participating software company to set its own eligibility  
5 requirements, subject to all Federal rules and regulations on  
6 taxpayer privacy, for paying customers and free customers,  
7 including prohibiting use of tax return data for purposes not  
8 specifically authorized by the taxpayer; and

9       WHEREAS, Recent information indicates that private companies  
10 participating in the Free File program are using new marketing  
11 methods, appearing simultaneously with preparation and filing of  
12 individual taxpayer information, to promote fee-based products  
13 and services; and

14       WHEREAS, These new marketing techniques, including multiple  
15 World Wide Web popup boxes requiring an immediate affirmative or  
16 negative response from the taxpayer before advancing to the next  
17 screen, may effectively divert taxpayer concentration and  
18 attention from the immediate personal filing; and

19       WHEREAS, Taxpayers using commercial tax preparation sites in  
20 the Free File program may be forced to accept license agreements  
21 and privacy policies that authorize data sharing with affiliates  
22 of the tax preparation entity which may not be exposed by the  
23 popup box; and

24       WHEREAS, This practice is extremely troubling and potentially  
25 exposes taxpayers to the cross-marketing of unrelated financial  
26 services through a Government-sponsored free tax filing program;  
27 and

28       WHEREAS, Alliance members in the Free File program are  
29 subject to 26 U.S.C. § 7216, whose purpose is to protect the  
30 disclosure or use of information by preparers of tax returns

1 from unwanted solicitations; and

2 WHEREAS, An existing consent loophole in those regulations  
3 currently permits commercial preparers to advertise refund  
4 anticipation loans and potential subprime mortgages to taxpayers  
5 who access World Wide Web sites through the Free File program;  
6 therefore be it

7 RESOLVED, That the House of Representatives of the  
8 Commonwealth of Pennsylvania urge the United States Department  
9 of the Treasury to amend regulations under 26 U.S.C. § 7216 to  
10 close this consent loophole; and be it further

11 RESOLVED, That the United States Department of the Treasury  
12 prohibit commercial preparers participating in the Free File  
13 program from marketing financial products and services to  
14 taxpayers and using confidential tax information for cross-  
15 marketing purposes; and be it further

16 RESOLVED, That copies of this resolution be transmitted to  
17 Ms. Pamela F. Olson, Assistant Secretary for Tax Policy, United  
18 States Department of the Treasury, 1500 Pennsylvania Avenue, NW,  
19 Washington, D.C. 20220.