

Free File Presentation

FTA EF – SALT LAKE CITY
16 MAY 2006
Presented by
ATILLA M TALUY

The Alliance is a Success Story!

Yesterday, Harley said that he was amazed at the success of the program.

The program, “The Free File Alliance, LLC” completed the fourth year of its service to the American Taxpayers, as it virtually ended the first year of its second contract period.

FileYourTaxes.com

Scope

I present my interpretation and the presentation should not be construed to be an official position of the Free File Alliance, LLC or any other entity mentioned.

The scope of this presentation and discussion will be limited, and will not include any discussion of legal or detailed political aspects that may be associated with the subject matter.

FileYourTaxes.com

The Alliance is a Success Story!

The success of the program is attributable to the great technical expertise and the sincere relationships that were established between the IRS, States and the members of the industry – The Partners.

FileYourTaxes.com

Original Agreement

Participants represented around the table:

- White House
- GAO
- Department of Treasury
- Department of Justice
- IRS-ETA
- IRS-Taxpayer advocate
- States
- FTA
- NACTP
- CERCA
- Industry
- Others

FileYourTaxes.com

Original Agreement

Time Line

- 03/02 IRS and Industry and others begin formal discussions to form consortium for EZ Tax Filing (previously coded as Silver Bullet in Government version)
CERCA takes Industry (Consortium) lead
- 05/20 Initial Term Sheet completed
- 07/02 Final Term Sheet is accepted
- 08/02 High level joint marketing concept developed by IRS & Industry
Federal Register notice given
Operating agreement Developed

FileYourTaxes.com

Original Agreement

Time Line - continued

- 10/02 DOJ ruling – favorable
Consortium is named
“Free File Alliance, LLC”
Operating agreement finalized
File Federal register Notice
- 11/02 Industry offers sent in
IRS – Alliance agreement signed
- 10/03 Kickoff

FileYourTaxes.com

Original Agreement

The industry would provide:

- Free tax return preparation and eFiling of those returns
- Offers in aggregate the would try and seek coverage of 60% of all taxpayers. In the event that such a coverage was not achieved in the first year, efforts would be made to reach this level.
- Coverage for the underserved and the disadvantaged segment of the population
- The same software that it uses for its paid customers

FileYourTaxes.com

Original Agreement

The Government would provide:

- Promise not to compete with the industry per the terms of the contract
- Advertisement and marketing resources for the program
- Hosting services for the website

FileYourTaxes.com

The New Agreement

- The term of the agreement is 4 years with option to terminate with 2 year notice
- Offers in aggregate will not exceed 70%, with each member offer not to exceed 50% of all taxpayers

FileYourTaxes.com

The New Agreement

The industry would provide:

- Otherwise, the other provisions of the old agreement, plus
- FFA indicator will be transmitted to the IRS
- Minimum return acceptance threshold
- New enhanced security standards
- Industry self policing of ancillary product offerings
- Free Extensions (4868)
- Higher quality standards of
 - Usability
 - Service
 - Voluntary Assessment & Management Schemes

FileYourTaxes.com

The New Agreement

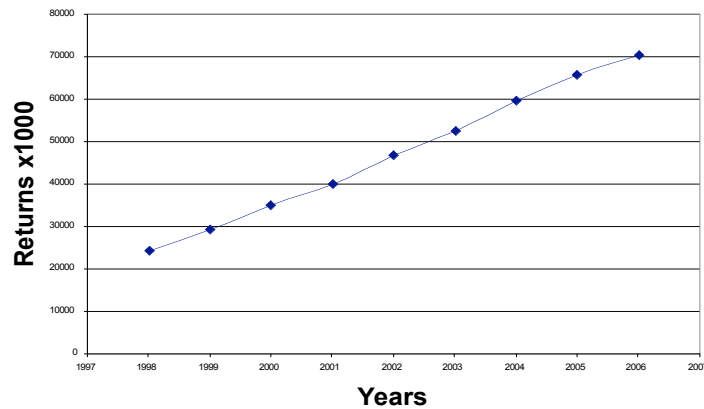
The Government would provide:

- All of the considerations of the previous agreement, plus
- Recommendation regarding the ancillary products
- Greater control on companies'
 - Eligibility assessment
 - Website testing

FileYourTaxes.com

How did we do?

Gross eFile Numbers (IRS)



FileYourTaxes.com

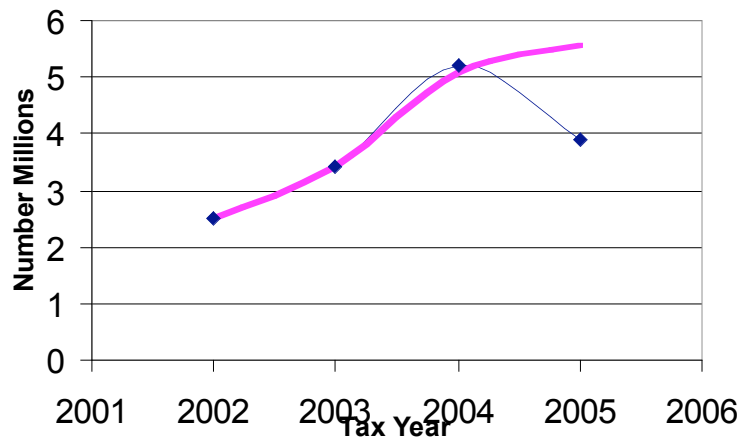
How did we do?

- Approximately 3.9M returns to date, anticipate over 4.0M end of season
- Amount corresponds to over 5.7M, adjusted
- Approximately 50K extensions. IRS Telefiled approximately 500K the prior year
- Provided improved customer service

FileYourTaxes.com

How did we do?

FFA Volume-Actual vs Adjusted



FileYourTaxes.com

How did we do?

FFA Volume-Actual vs Adjusted Analysis

The growth could have been even more if

- There more marketing resources available
- The antagonistic publicity did not exist
- More states were involved
- eFiling was not as complex compared to paper
- The program was not politicized at the crucial filing times

FileYourTaxes.com

How did we do?

- Significantly improved service, reduced complaints that IRS received to very low numbers
- Had very low (less than 0.5%) RAL rates
- Had improved security protocols

FileYourTaxes.com

How did we do?

Free File Listing Page



FileYourTaxes.com

How did we do?

Free File Information Page

- **FileYourTaxes.com**
- **Free Offer and Company Information:**
FileYourTaxes.com is offering free federal tax return and e-filing if you are living in Alabama, Arizona, California, Colorado, Delaware, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maryland, Michigan, Missouri, Mississippi, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Wisconsin (as verified by the state you use for your mailing address at the top of your 1040 tax return), and/or if you were 18 years age or under on December 31, 2005, regardless of your state of residence. All of these offers are only available to above qualified tax returns with Adjusted Gross Income (AGI) of \$50,000 or less. FileYourTaxes.com's offer stated above has been designed to include especially the low income taxpayers. FileYourTaxes.com is an easy to use, secure online tax filing system, serving you anywhere, anytime where an Internet connection is available. This free service is offered as part of our FreeTax by FileYourTaxes.com program.
- FileYourTaxes.com has been an integral part of the online e-filing program since its inception and is one of the only remaining, truly online companies that participated in the IRS' original online filing pilot program.
- The offer is limited only to return construction/preparation and e-filing of the same return, or an extension. Each is a separate filing and each must independently originate from the IRS Free File page. The free service does not offer Refund Anticipation Loans, and those with existing unsettled accounts with us will not qualify for the free service. Additional options such as customer service, paper returns or extensions, financial institution products, etc. may be acquired for a fee. State income tax returns are not provided free.
- **Fee-based Offer Information:**
If you do not qualify for the free offer, FileYourTaxes.com will charge a minimum fee of \$31.75 for preparing and e-filing your Federal return. Please refer to our "Pricing" page.

FileYourTaxes.com

- Want to get started? Close this window and click the FileYourTaxes.com link on the main page.

How did we do?

Free File Information Page



FYTlanding page.htm

FileYourTaxes.com

Tipping Point

The 21 FFA States/Jurisdictions

CA CO CT DC DE HI IL IN
KS LA MD ME NE NJ NM
OH PA SC UT VA WI

FileYourTaxes.com

Tipping Point

The 21 FFA States

AL AR AZ GA IA ID KY
MA MI MN MO MS MT NC
ND NY OK OR RI VT WV

FileYourTaxes.com

Why is the Program a Success?

- Provides a very good monetary deal to the American Taxpayers with no obligation to purchase any additional goods or services
- Good working partnership between the IRS and the Industry
- Desire for members of the Industry to be good corporate citizens
- Providing a valuable service
- Providing valuable ancillary products
- Providing a service level above the norm

FileYourTaxes.com

Why is the Program a Success?

- Providing tax professional products with combined tax experience possibly exceeding two centuries
- Eyes focused on the performance of the program
- Emphasis on security
- Compliance with
 - GLBA/FTC as a financial institution
 - NIST Standards
- Diligence in privacy and adherence to IRC 7216

FileYourTaxes.com

Why is the Program a Success?

- Providing virtually no cost solutions to IRS and state agencies
- Sharing success with these agencies
- Provides a pilot environment for the agencies to develop amore comprehensive, efficient and secure transaction platforms for the tax ecosystem.

FileYourTaxes.com

One Congressional Sentiment

The bill at House of Representatives (H.R. 5114), with 108 sponsors contains the following key phrase:

"(a) Limitation- The Internal Revenue Service shall not develop or provide taxpayers with free individual tax electronic preparation and filing services except through the Free File program and the Internal Revenue Service's Taxpayer Assistance Centers, Tax Counseling for the Elderly, and volunteer income tax assistance programs."

FileYourTaxes.com

Join the Alliance Success

If you have other questions or wish to discuss the benefits of the Alliance further, please contact us at 805 644 9398, or the **FFA Executive Director Honorable Tim Hugo 703 569 1201**

FileYourTaxes.com