

The Partnership

The main players initially involved in the implementation of *e-file* included the Internal Revenue Service, Intuit, H&R Block, Jackson Hewitt, and Computer Sciences Corporation. These original partners represent a mix of public and private sector organizations, and today the approved partner list has grown to include tax preparers, other tax software vendors, a volunteer service to provide tax assistance to the elderly, and credit card companies.

The participants in the *e-file* program described themselves, and each other, to be organized and methodical, legalistic, and willing and insistent on thinking "out-of-the-box." This last characteristic is especially noteworthy given that the IRS is a "risk averse organization." Yet, without the ability and the freedom to think in an unconstrained manner, project participants believed that the project would not have been successful.

What the IRS brought to the partnership was a tremendous market opportunity for the tax preparation and filing community. This was an untapped source of revenue. This also created tension throughout the project however, as many perceived that the IRS was itself, going into the tax preparation and filing business. The major vendors, H&R Block and Jackson Hewitt were very careful to make sure that the IRS was not going to take over their market. It is important to mention that these tax preparation business account for 55% of all returns filed. Another asset of the IRS portion of the partnership was their commitment to the success of the *e-file* project. As they were allowed to work outside of the more bureaucratic structure of the IRS, they could convert their commitment and enthusiasm to being entrepreneurial and innovative.

A characteristic of the private sector partners was that they were "itching for a change" in the tax preparation and filing process. It was cumbersome, complex, and paper-intensive. They saw *e-file* as an opportunity to reengineer the process, making it simpler, faster, and error free. Other characteristics that the partners brought to the partnership were their knowledge in product development, their ability to promote the service, their ability to know who the right business partners would be for *e-file* and then put together coalitions that served everyone's needs, and they had a very keen understanding of IRS policies and the tax environment.

One partner group, however, was not especially satisfied with the process. The "second tier" providers felt left out of the loop; they perceived the process of becoming an IRS certified partner to be rigged. The relationship between the IRS and this community was seen as "tense." The IRS acknowledged that due to the complexity and pressure of this particular project, some stakeholders were (unintentionally) left out at the beginning, but they agreed that they have since made every effort to involve as many stakeholders as are relevant. The IRS continued however on its initial path, asking for "forgiveness rather than permission" as they proceeded with the implementation.

There is a distinction to be made between the initial *e-file* development partners and the subsequent partnership model developed to become a certified *e-file* partner with the IRS. The initial partners were the IRS ETA group, the two major tax preparation businesses (Jackson Hewitt and H&R Block), the tax transmitter group (these businesses put the completed IRS forms into the IRS-acceptable format), and interested tax software vendors, Intuit being the prime partner here. Today there are many more certified partners, ones who have successfully completed the intense IRS review process to receive the IRS imprimatur. Under Solicitation Number TIRNO-01-R-00034, ETA's Electronic Payment for Taxpayers, there is a formal application process to be a certified partner, one that stipulates meeting all the IRS requirements to prepare taxes, file taxes, or take credit card/debit payments. There are currently some 90,000 authorized *e-file* practitioners and 50 to 60 certified tax transmitters. (7)

(7) See http://www.irs.gov/elec_svs/partners.html on the World Wide Web for a partial listing of certified partners.