

The Collaboration Process

This collaboration represented all new territory for the IRS, and as mentioned earlier, territory that had a high potential for profit, and thus, was very sensitive to the vendor community. The IRS adopted the private sector concept of exchange values, without the actual exchange of monetary value to the IRS.

There was further, a clash between commercial and public sector values. The IRS wanted to reach out to the low income population, enabling them to file at the lowest cost with the quickest return; a value not embraced by the private sector partners who are in the business to make a profit. This issue was ultimately resolved with the development of the Quicken Tax Freedom application, free filing for low income tax payers (gross income less than \$25,000). Today, there are eight approved partners offering free Internet filing of taxes for qualifying tax payers.

In developing the project, there was a range of issues that the partners needed to collaborate on and resolve. First was the delivery method, whether to go with *e-file* software or use the third party tax vendors. Convenience and efficiency were also problems; each transaction required three separate processes, with paper still being required for a legal signature. The IRS ETA and legal counsel staff had to negotiate for the development of a secure authentication process that could be used by the tax submitters to eliminate the need for a paper signature. Security of the personally identifiable information also presented concerns. It was important for the IRS to be sure that on its part, the data submitted by the taxpayer was protected under the Privacy Act. Finally, fraud was a major potential problem with an electronic system. The tax preparers were solicited for suggestions for remediating these problems. The IRS saw it as a benefit that the tax preparers teamed together to bring propositions to IRS to solve these problems. This type of collaboration was seen as successful by the IRS staff. The tax preparers were able to make a number of recommendations to enhance the program as well. One suggestion they came up with, which was put in to practice, was enabling credit card payments over the Internet as a value-added to the program.

The IRS realized that as a federal government agency, it could not officially endorse specific tax preparer businesses. What they were able to offer were "privileges" to certified partners, such as having their name, services, and a web address link to the business home page included on the Digital Daily web site. Thus, the IRS was able to say, we cannot endorse these vendors, but we suggest you go to their websites and see how they can help you *e-file*.

Critical success factors

In talking with project participants it was clear that strong championship, leadership, and willingness to take risks, on the part of the ETA Assistant Commissioner and the ETA Director, were major factors in the success of the *e-file* implementation. This was noted consistently. The Assistant Commissioner for the ETA was awarded a 2000 "Federal 100"(8) for his pioneering work on *e-file*.

Other factors were the partner's willingness to take some risk as well, as this was an untested market. The all around experience of the partners was another critical success factor. There were smart, knowledgeable, and committed people involved. The ability to take advantage of innovative procurement processes, coupled with constant legal advice, was also noted as critical to the good outcome of *e-file*. Finally participants felt that this was a huge untapped market of opportunity, and that the market conditions were right for an electronic transaction process. These two factors combined also were critical to the project's success.

A number of other factors surfaced when exploring this area. It was noted by some that other behaviors that helped urge the project on were:

- The ETA staff was not reluctant to use intimidation, begging, or cajoling
- The ETA staff never took **no** for an answer; if they received a no, they asked "why?"
- The willingness of all the partners to work on both sides of the fence (public and private)
- The partners had agreed-upon business goals and evaluation criteria, and
- Everyone knew what was wanted and was committed to achieving the goals of the project.

An interesting and novel success factor for the *e-file* was the ability of the IRS to actually go out and market its product *e-file*. This is not a common activity or budget line for federal agencies. But the RRA of 1998 specifically addressed the need to enhance the visibility of this new program and appropriated funds to do so. The ETA group received their first marketing budget for tax year 1999. Through a series of innovative and attention-getting advertising vehicles, along with the use of the award winning Digital Daily web site, the IRS was able to increase the visibility of *e-file* among tax payers and potential tax preparer partners.

The staff at the ETA feels that the marketing campaign has been a major success. Based on their evaluations, they are now planning a five-year media and advertising campaign. They hope to increase the visibility of *e-file* to convince even more taxpayers to electronically file their tax returns.

Barriers

On the reverse side, some factors were seen as barriers to be overcome, or the project would not succeed. The goals set in the ETA strategic plan for 2007 were seen as too high to achieve. They are still perceived to be above what the diffusion curve would predict. The paperbound infrastructure of the IRS was also seen as problematic. It required a formal process for managing change to get the buy-in from all the IRS processing staff. Protection of information privacy and security were seen as two high-visibility issues that could close the project down. An award winning privacy authentication was developed and implemented by the IRS to ensure privacy of personal information. This authentication procedure is noted as a best practice in the federal government.

(8) See *Federal Computer Week* at <http://www.fcw.com/events/fed100/2000/intro.asp> for more information.