



900 17th Street, N.W.  
Suite 1100  
Washington, DC 20006  
Phone: 202.783.0070  
Fax: 202.783.0534  
Web: www.ccianet.org

## ABSTRACT

Computer & Communications Industry Association

### GOVERNMENT COMPETITION

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- *Government should not use the Internet and e-commerce as a platform for directly competing against private sector market participants. CCIA supports e-government but opposes government e-commerce.*
- *Government competition in commercial markets is antithetical to a successful free market.*

**Background:** Electronic commerce, the Internet and computing promise new opportunities for businesses and services. Unfortunately, Federal and State governments increasingly view the Internet and electronic commerce as a new platform for government-provided products and services for consumers in direct competition with private sector market participants. These *e-commerce* ambitions by government entities are separate and distinct from *e-government* initiatives to digitize and modernize traditional governmental functions.

**CCIA's Positions:** CCIA applauds e-government initiatives that modernize government functions through the Internet and computing. They are an appropriate and important part of good government reinvention and reengineering. E-government, however, is not e-commerce.

CCIA views government efforts to launch competitive e-commerce initiatives with great trepidation. While we support government efforts to modernize operations, improve taxpayer services and utilize the tools and technologies of the Information Age, we cannot countenance the government as a competitor in commercial markets. Such activity is antithetical to a successful free market and unfair to American taxpayers and shareholders of private businesses that are forced to compete with publicly-funded government entities. Simply put, the U.S. Government exists to perform essential functions for its citizens. Launching commercial enterprises is not one of them.

CCIA believes that government stepping into the competitive software industry marketplace, in a mode to replace private financial services with government, could have new and far-reaching impacts such as destabilizing competition, private investment and innovation. The important goals of tax simplification and tax reform can be achieved without also unnecessarily inserting the federal government into a new economic role currently played by the private technology sector. Reduction of taxpayer burden can be achieved by non-monetary partnering with the private sector without reducing the essential citizen-centric and decentralized character of the U.S. voluntary compliance tax system.

***Current Issues:***

**Free File Alliance:** CCIA has continued to support the Free File Alliance, a consortium of private tax preparers in partnership with the Internal Revenue Service, which offers online tax preparation services free to most taxpayers. Free File leverages the reach of government with the innovative and efficient expertise of industry, and is precisely the kind of alternative to government competition that CCIA advocates. The Alliance has shown private sector responsiveness and flexibility in voluntarily eliminating such ancillary offerings as Refund Anticipation Loans from the program in the face of complaints and criticism, and remains a most effective instrument in promoting electronic filing of tax returns. Nearly five million taxpayers used Free File in 2008, a 24% increase over the prior year.

**“I-File” System:** I-File is a proposal being considered by the federal government as a way of increasing the percentage of Americans who file their tax returns electronically. The IRS would develop an online tax preparation and e-filing system to allow individuals to prepare their returns and submit them directly to the IRS. CCIA has commissioned a study, “The Benefits and Costs of I-File”, which provides an economic analysis that examines and puts into perspective the costs and benefits of such a system. The study draws upon lessons to be learned from the experiences of the United Kingdom and at the state level. The study concludes that an IRS I-File program would cost more than its benefits, and come with a significant risk of failure. Therefore, the study finds that promotion of e-filing would be better achieved through existing programs such as Free File. The economically healthy way to increase electronic filing is through public-private partnership, rather than building massive and expensive new government systems that insert the government into the private marketplace as a replacement to existing private sector financial software and services.

**Health IT:** Health information technology is a new industry that is expected to play a major role in increasing the cost-efficiency of health care, which is in turn expected to play a major role in stimulating the economy out of the current crisis. As a new technology, it is important for government to give the private entities producing innovative systems and services, such as electronic health records, ample opportunity to develop, rather than itself competing with them in the marketplace.