



Consumer Federation of America

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Consumer Groups To Testify Before The IRS Tomorrow On Plan To Weaken Taxpayer Privacy Rules

Consumer groups will urge the Internal Revenue Service to change its regulations to prohibit tax preparers from selling tax returns to third parties for marketing purposes at a public hearing on Tuesday, April 4th 2006. The hearings take place two weeks after public outrage surfaced over an IRS proposal to revise its privacy regulations governing tax preparers.

“The IRS would allow tax preparers to sell a consumer’s return to companies that have a terrible track record of safeguarding information from identity thieves,” said Beth McConnell of the Pennsylvania Public Interest Research Group Education Fund (PennPIRG Education Fund) who will testify at the hearing on behalf of several consumer groups, including U.S.PIRG and the Consumer Federation of America.

The new rules proposed by the IRS in December 2005, eliminate a provision that restricts cross-marketing using tax information to the preparer and its affiliates. Tax preparers would be permitted to share the contents of a consumer’s entire tax return with an unaffiliated business in order to solicit the consumer for commercial products, provided the consumer signed a consent form. Consumer groups argue that current regulation forbids tax preparers from sharing information in a consumers’ tax return with an unaffiliated third party for marketing purposes. Under the new proposal, any tax preparer including H&R Block, Jackson Hewitt or a storefront tax shop could sell the contents of a consumer’s tax return to any outside corporation just by finagling a consumers’ signature.

“A consumer has a strong trust relationship with her tax preparer, and is likely to just follow along as she’s told to sign form after form. Slipping a form in the shuffle of papers that would allow the tax preparer to sell her return is a violation of that trust,” said Jean Ann Fox of the Consumer Federation of America.

The proposed rule requires expressed written permission from the consumer to allow information to be sold, but Chi Chi Wu of National Consumer Law Center argued that’s not good enough. “Consumers will not realize they’ve signed the form, will not

understand what they're signing, or will feel pressured into signing away their rights to privacy," she continued.

Consumers' personal information has become a billion dollar business, with data brokers like Choicepoint and others collecting and selling consumers' personal information to marketers. A rash of breaches of security at major corporations, including Choicepoint, Mastercard and dozens of others over the last year has affected hundreds of millions of Americans and put them at risk of identity theft. "If this proposed rule is adopted, you can bet data brokers like Choicepoint will be among the first in line to purchase consumers' tax returns," said McConnell. "And identity thieves will see this information as one-stop shopping to make it easier for them to commit fraud."

The IRS already allows a consumers' tax return information to be used by tax preparers to market its own products, or products already offered by its affiliates, such as Refund Anticipation Loans (RALs). Consumer groups have long decried these high-fee, high-risk loans as a rip-off, and have urged the IRS to restrict the ability of tax preparers to push these products on consumers.

The IRS ended its formal public comment period on these proposed rules on March 8, 2006, but will be hearing testimony from those who submitted comments on April 4, 2006 in Washington D.C. PennPIRG Education Fund's McConnell is scheduled to testify at that hearing on behalf of several consumer groups to urge the IRS to drop this proposed rule, and to argue for better consumer privacy protections.

The hearing will be held on Tuesday, April 4th 2006 beginning at 10 a.m. in the auditorium of the Internal Revenue Building, 1111 Constitution Ave NW, Washington D.C. 20224.

PennPIRG Education Fund works to educate consumers about policies that affect their health, safety and finances, and promotes policy solutions to protect the public.

NCLC is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government and private attorneys, as well as organizations, who represent low-income and elderly individuals on consumer issues. Website: www.consumerlaw.org

CFA is a nonprofit association of some 300 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through advocacy and education. Comments to IRS: http://www.consumerfed.org/pdfs/IRS_Privacy_Rule_Comments.pdf