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HOUSE BILL NO. 1349

Offered January 22, 2010

A BILL to establish a Virginia Free File tax program.

Patrons—Byron, Comstock and Keam

Referred to Committee on Finance

Whereas, the Internal Revenue Service and the Free File Alliance LLC, a group of 19 private tax software companies, offer the Free File program providing free federal income tax preparation and electronic filing to taxpayers whose income does not exceed \$57,000 annually; and

Whereas, the Commonwealth offers "iFile," a free, online tax filing service; now, therefore,

Be it enacted by the General Assembly of Virginia:

1. § 1. That no later than December 31, 2010, the Tax Commissioner shall establish a Virginia Free File program based on the Internal Revenue Service (IRS) Free File program, as established by the IRS under public rulemaking and set forth in the Federal Register, Vol. 67, No. 213, Monday, November 4, 2002, pages 67247-67251, as other states have done. Such program shall be effective for the filing period for the 2010 calendar year individual income tax returns and every calendar year thereafter.

To implement the Virginia Free File program, the Commonwealth shall enter into a non-monetary agreement with companies in the electronic tax preparation and filing industry (the "Consortium for Virginia") to work together to offer free, online tax return preparation and filing services to 70 percent of Virginia taxpayers with the lowest incomes, the same as the IRS Free File program for federal taxpayers. The Consortium for Virginia shall offer these free tax services to certain Virginia taxpayers at no cost to the Commonwealth. The Commonwealth shall provide eligible taxpayers with links through the Department of Taxation's website to the free services offered by the Consortium for Virginia participants.

The Virginia Free File agreement to be established between the Commonwealth and the Consortium of Virginia shall be based upon the agreement between the IRS and the Consortium of Virginia that was signed by the IRS Commissioner on October 30, 2002, and that was most recently modified and extended on November 5, 2009, and the bilateral commitments, rules, and requirements contained therein, and shall be consistent with IRS Publications 1345 and 3112.

The Commonwealth shall, using available resources, coordinate efforts with the IRS Free File program, the Free File Alliance, and the Internal Revenue Service to maximize among eligible Virginia taxpayers (a) awareness of the Virginia Free File program and (b) the claiming of the federal earned income tax credit.

INTRODUCED

HB1349