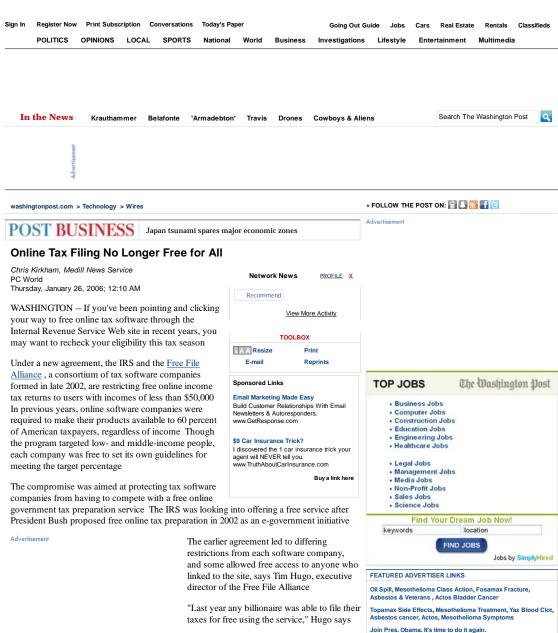
Exhibit

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The new four-year agreement will steer the partnership between software companies and the government back to its original purpose of serving low- and middle-income taxpayers, Hugo says

The IRS's Free File Web page links to 20 software companies , each of which has different restrictions for free users Some provide services only to residents of certain states Others have set their maximum permitted income figure below the agreed-upon limit of \$50,000, have imposed age restrictions or have established special exemptions for members of the military

All companies must make their tax software available to 70 percent of taxpayers, and no individual company may cover more than 50 percent of the target group, which has prompted the differing sets of restrictions among companies

Representatives from several tax software companies said that the new restrictions were necessary because last year market competition turned into a free-for-all Hoping to attract more customers, upstart smaller companies offered tax software free to anyone, regardless of income Their policies forced the other companies to follow suit

"This program was never designed to be free advertising or a way to cheaply attract customers," says Julie Miller, a spokesperson for Intuit, which produces <u>TurboTax</u> software "The question for every company became, 'Is that kind of free-to-everyone approach a sustainable model for the Free File Alliance?' The answer, I think, would be no "

One worry, Miller says, is that companies would continue to offer free software services for federal tax returns but jack up prices for state tax preparation service or related products

Though companies are concerned about the bottom line, Miller says, only 2 percent of Intuit's paying customers switched over to the free service last year Meanwhile, the number

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of paying Web customers grew by 13 percent, she says

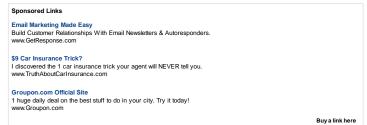
Convenience is part of the equation With several types of online software, including TurboTax, free members can't transfer personal information filed from the previous year Other companies provide online customer service to non-paying customers, but not telephone support

Bob Weinberger, vice president of government relations for H#00026R Block, which provides its $\underline{\text{TaxCut}}$ online service through Free File, says consumers would lose out on the best software if services permanently became free to all

"There is a public interest in having good tax software out there that is renewed and refreshed and innovative," Weinberger says "[The companies] were looking for a partnership and not a suicide pact"

But Lance Dunn, president of 2nd Story Software, producer of $\underline{\text{Tax}}\underline{\text{Act}}$ online, sees things differently

"We were really interested in establishing a relationship with the taxpayer and wanted to get as many people exposed to TaxAct as possible," Dunn says "I think the program was better before, where anybody could get a free return It was also much simpler"



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