

Congress of the United States

Washington, DC 20515

May 15, 2024

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Daniel Werfel
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Secretary Yellen and Commissioner Werfel,

With the 2024 tax filing season at its end, we write to commend you on the historic and resoundingly successful launch of Direct File, the first free, public, electronic federal tax filing tool in U.S. history. Taxpayers want and deserve a free and easy filing option, and thanks to this year's pilot, taxpayers used Direct File to claim over \$90 million in tax refunds and save \$5.6 million in estimated filing fees, with 90 percent of surveyed users rating their experience positively and 86 percent saying their experience with the tool increased their trust in the Internal Revenue Service (IRS).¹ We applaud your leadership and Direct File's incredible success this year, and we call on you to make Direct File a permanent program, expanding it and improving it further next year and in the years to come.

In May 2023, the IRS and Treasury Department announced plans to pilot a Direct File tool in 2024, noting that the pilot would allow “the IRS to test functionality for some taxpayers, evaluate success, and use lessons learned to inform the growth of the tool.”² At the time, many of us wrote to you in support of Direct File.³ This filing season, the tool launched as a phased, limited-scope rollout in line with tech industry best practices.⁴

¹ Department of Treasury, “IRS Direct File Pilot Exceeds Usage Goal, Receiving Positive User Ratings and Saving Taxpayers Money,” April 26, 2024, <https://home.treasury.gov/news/press-releases/jy2298>; Internal Revenue Service, “Direct File pilot officially closes after more than 140,000 taxpayers successfully use direct e-filing system in 12 states, including integration with 4 state tax systems,” April 26, 2024, <https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems>.

² Letter from Deputy Secretary of the Treasury Adewale Adeyemo to Internal Revenue Commissioner Daniel Werfel, May 16, 2023, <https://home.treasury.gov/system/files/136/Deputy-Secretary-Adeyemo-Letter-to-Commissioner-Werfel-20230516.pdf>; Letter from Internal Revenue Commissioner Daniel Werfel to Treasury Secretary Janet Yellen, May 16, 2023, <https://www.irs.gov/pub/newsroom/letter-to-secretary-yellen-direct-file.pdf>.

³ Letter from Senators Warren, Carper, and Wyden and Representatives Sherman, Porter, and Beyer and colleagues to Internal Revenue Commissioner Daniel Werfel and Deputy Secretary of the Treasury Adewale Adeyemo, June 26, 2023, <https://www.warren.senate.gov/imo/media/doc/2023.06.26%20Letter%20to%20TRS%20and%20IRS%20on%20IRS%20direct%20e-file.pdf>.

⁴ Internal Revenue Service, “Direct File pilot officially closes after more than 140,000 taxpayers successfully use direct e-filing system in 12 states, including integration with 4 state tax systems,” April 26, 2024, <https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems>.

The Direct File pilot has been a clear and resounding success. Over 140,000 taxpayers used the tool across the 12 pilot states, with a survey of 11,000 users finding that 90 percent ranked their experience with Direct File as “Excellent” or “Above Average,” and 90 percent of survey respondents who used customer service similarly found the experience “Excellent” or “Above Average.”⁵ Other surveys found 96 percent of users were satisfied with integrated state filing, 82 to 87 percent would recommend Direct File, and 74 to 93 percent prefer it to the previous filing method they used.⁶

Individual users also raved about the time and money they saved and the quality of the service they received:

- “I don’t want to call myself a dummy, but this is taxes for dummies right here,” said the first Direct File user, an HR specialist in Texas who saved nearly \$400 in tax prep fees.⁷ “I just see it being helpful for so many millions of people.”⁸
- “It was the fastest I’ve ever done my taxes,” said one taxpayer in California.⁹ “I didn’t have to worry about someone upselling me.”¹⁰
- “There were no random ads, like ‘What am I clicking on?’” said another taxpayer in Texas, who saved the \$80 she typically spends to file her taxes.¹¹
- “I finished this and I was like, wait, I’m done? That was so easy,” reported a New York filer. “It’s not just that you’re saving, you know, 80 bucks on TurboTax or whatever. It’s so much less of a stressful thing.”¹²
- “It was one of the greatest experiences I have had doing [my taxes],” said an Arizonan.¹³
- “It was the most convenient way I’ve ever filed my taxes,” said a taxpayer in Washington State.¹⁴ “I got to be honest, it surprised me how simple it was.”¹⁵

⁵ *Id.*; Department of Treasury, “IRS Direct File Pilot Exceeds Usage Goal, Receiving Positive User Ratings and Saving Taxpayers Money,” April 26, 2024, <https://home.treasury.gov/news/press-releases/jy2298>.

⁶ Code for America, “Direct File, Integrated State Filing, and FileYourStateTaxes,” April 2024, <https://codeforamerica.org/media/direct-file-integrated-state-filing-and-fileyourstatetaxes/>, pg. 2, 7; Economic Security Project, “National Taxpayer Survey: Opinion on Direct File vs. Alternatives,” April 25, 2024, <https://economicsecurityproject.org/resource/df-survey/>.

⁷ AP, “A new IRS program is helping its first users file their income taxes electronically. And it’s free,” Fatima Hussein, March 6, 2024, <https://apnews.com/article/irs-income-taxes-direct-file-program-free-4b0917e281b63e06527343598dde650c>.

⁸ *Id.*

⁹ MarketWatch, “Early reviews of the IRS Direct File free tax-prep tool are in. Here’s what taxpayers say so far,” Andrew Keshner, March 26, 2024, <https://www.marketwatch.com/story/early-reviews-of-the-irs-direct-file-free-tax-prep-tool-are-in-heres-what-taxpayers-say-so-far-3a2c4a3a>.

¹⁰ *Id.*

¹¹ *Id.*

¹² Code for America, “Direct File, Integrated State Filing, and FileYourStateTaxes,” April 2024, <https://codeforamerica.org/media/direct-file-integrated-state-filing-and-fileyourstatetaxes/>, pg. 4.

¹³ *Id.*

¹⁴ The New Republic, “The IRS Finally Cracked the Code on Making Tax Season Suck Less,” Bryce Cover, April 8, 2024, <https://newrepublic.com/article/180448/irs-direct-file-fixed-taxes>.

¹⁵ *Id.*

- “It was a walk in the park,” said another Californian, who “basically did my taxes on my lunch break” and saved \$100 that he would have otherwise spent to file his taxes.¹⁶

The IRS’s delivery of this new, wildly successful filing tool less than 18 months after receiving significant new funds from the *Inflation Reduction Act*¹⁷ demonstrates the huge returns from investing in the IRS and in government technology in general. As the *Atlantic* wrote: “That Direct File exists at all is shocking. That it’s pretty good is borderline miraculous... It’s a glimpse of a world where government tech benefits millions of Americans.”¹⁸

Direct File’s success is even more notable given the failures of the U.S. tax filing system to date. The average American spends \$150 and nine hours to file their taxes each year.¹⁹ Free File – the IRS’s partnership with private tax preparation companies to offer free online filing – has fallen far short of expectations, reaching only 2% of taxpayers while 70% qualify.²⁰ Meanwhile, Intuit (the owner of TurboTax) and H&R Block have misled taxpayers into paying for tax preparation services they are supposed to receive for free, according to the Federal Trade Commission.²¹ A recent analysis also found paid preparers targeting low-income Black and Brown communities, often making costly errors and marketing predatory payday lending products.²² This broken filing system blocks millions of families from accessing critical tax benefits enacted by Congress like the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC).²³

We now call on you to make Direct File a permanent program and to expand its functionality and scope, eventually making it available to most taxpayers, further increasing its impact. Specifically, we hope Direct File will support additional sources of income, integrate with more states, offer more flexible identity verification procedures, and accommodate additional tax benefits, with a focus on refundable credits available to low- and middle-income families. Direct File should also continue streamlining the filing process by using taxpayer data that the IRS already has. As Secretary Yellen recently said: “If [taxpayers] like [Direct File], it would be

¹⁶ *Id.*

¹⁷ *Inflation Reduction Act of 2022*, H.R. 5376, Sec. 10301.

¹⁸ *The Atlantic*, “The IRS Finally Has an Answer to TurboTax,” Saahil Desai, March 20, 2024, <https://www.theatlantic.com/technology/archive/2024/03/irs-direct-file/677818/>.

¹⁹ Internal Revenue Service, “1040 (and 1040-SR) Instructions,” Tax Year 2023, pg. 107, <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf#page=107>.

²⁰ National Taxpayer Advocate, “2023 Annual Report to Congress,” January 11, 2024, pg. 104, https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_06_FilingDelays.pdf.

²¹ Federal Trade Commission, “FTC Issues Opinion Finding that TurboTax Maker Intuit Inc. Engaged in Deceptive Practices,” January 22, 2024, <https://www.ftc.gov/news-events/news/press-releases/2024/01/ftc-issues-opinion-finding-turbotax-maker-intuit-inc-engaged-deceptive-practices>; Federal Trade Commission, “FTC Takes Action Against Tax Prep Company H&R Block For Wiping Consumers’ Data, Deceptively Marketing ‘Free’ Online Filing,” February 23, 2024, <https://www.ftc.gov/news-events/news/press-releases/2024/02/ftc-takes-action-against-tax-prep-company-hr-block-wiping-consumers-data-deceptively-marketing-free>.

²² Color of Change, “Preying Preparers: How Storefront Tax Preparation Companies Target Low-Income Black and Brown Communities,” Portia Allen-Kyle, Color Of Change, and Better IRS staff, March 24, 2024, <https://colorofchange.org/wp-content/uploads/2024/03/24-03-Preying-Preparers-Report-V.4.pdf>.

²³ National Bureau of Economic Research, “Automatic Tax Filing: Simulating a Pre-Populated Form 1040,” Lucas Goodman, Katherine Lim, Bruce Sacerdote, Andrew Whitten, Working Paper 3008, https://www.nber.org/system/files/working_papers/w30008/w30008.pdf.

very natural to continue to build on it... One day we hope, for example, information that taxpayers receive – W-2s and other things – could be used to pre-populate the program, making it even more usable and friendly.”²⁴ The pilot has already shown the value of this approach, with an April 8th update to Direct File that allowed users to import previous-year adjusted gross income data required to validate their current year returns.²⁵

Such expansions will turbocharge Direct File’s usefulness. In fact, a recent report by the Economic Security Project finds that a fully-fledged Direct File – including the functionality referenced by Secretary Yellen – could save taxpayers \$11 billion per year, while also delivering up to \$12 billion a year in unclaimed benefits, generating over \$100 of value for taxpayers for every dollar spent.²⁶

Again, we congratulate you on the success of the Direct File pilot and stand ready to work with you on making the program permanent and expanding it. We believe that the IRS can offer free and easy tax filing to every American taxpayer who wants it — and that, with Direct File, it will. We also applaud your broader efforts to invest funding that we passed in the *Inflation Reduction Act* to improve taxpayer services and to ensure the wealthy and large corporations pay what they owe, and we will continue to fight to protect the funding that makes this progress possible.

Sincerely,



Elizabeth Warren
United States Senator



Brad Sherman
Member of Congress

²⁴ Office of U.S. Senator Elizabeth Warren, “At Hearing, Secretary Yellen Agrees with Warren on Great Taxpayer Reviews of Direct File Pilot, Potential to Keep Building the Tool to Make Filing Easier for More Americans,” March 21, 2024, <https://www.warren.senate.gov/newsroom/press-releases/at-hearing-secretary-yellen-agrees-with-warren-on-great-taxpayer-reviews-of-direct-file-pilot-potential-to-keep-building-the-tool-to-make-filing-easier-for-more-americans>.

²⁵ CNBC, “IRS adds ‘important update’ for free Direct File pilot as federal tax deadline approaches,” Kate Dore, April 8, 2024, <https://www.cnbc.com/2024/04/08/irs-adds-important-update-for-free-direct-file-pilot.html>.

²⁶ Economic Security Project, “The Impact of Direct File—by the Numbers,” Gabriel Zucker and Bharat Ramamurti, March 11, 2024, <https://economicsecurityproject.org/resource/direct-file-report/>.



Thomas R. Carper
United States Senator



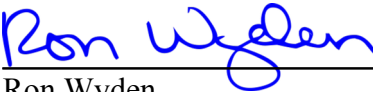
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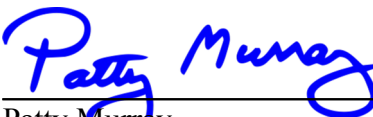
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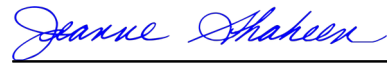
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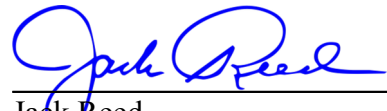
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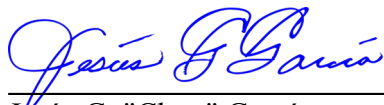
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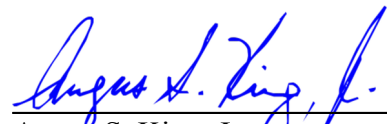
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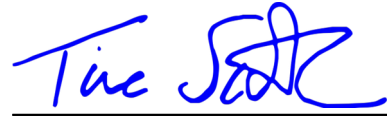
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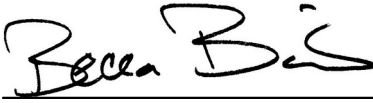
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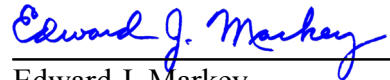
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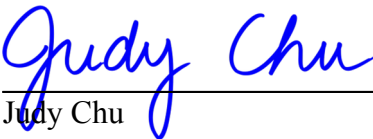
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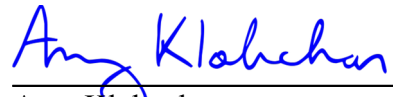
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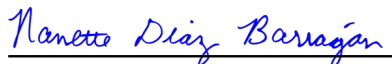
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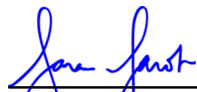
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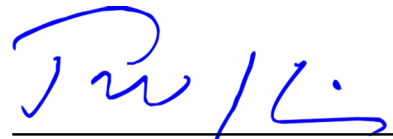
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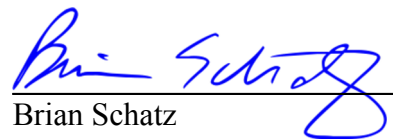
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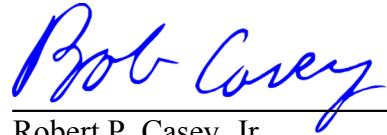
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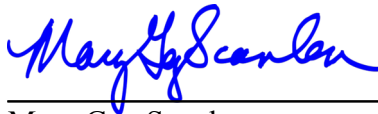
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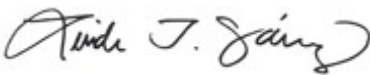
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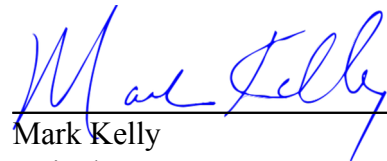
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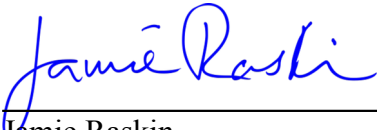
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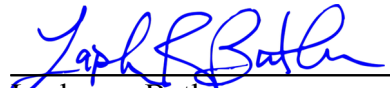
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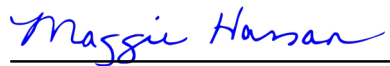
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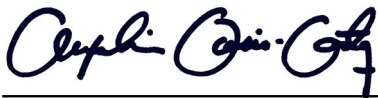
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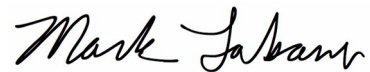
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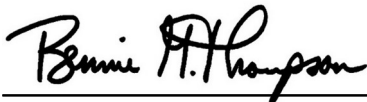
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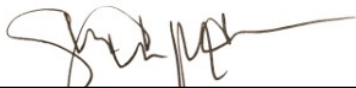
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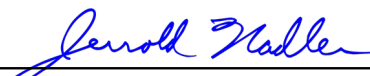
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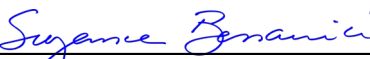
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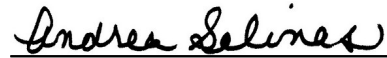
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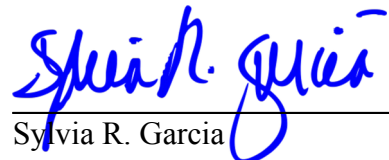
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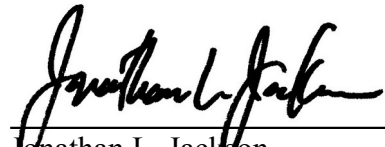
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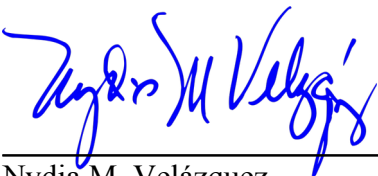
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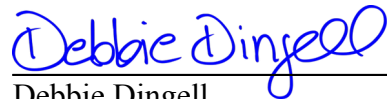
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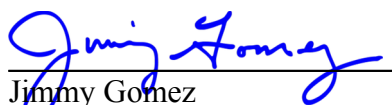
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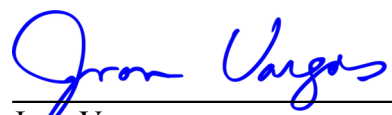


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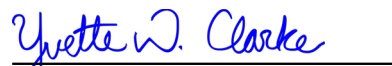

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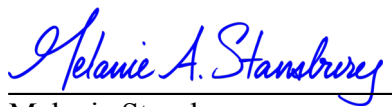

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Member of Congress



Dwight Evans
Member of Congress



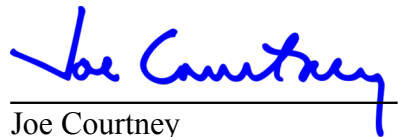
Lori Trahan
Member of Congress



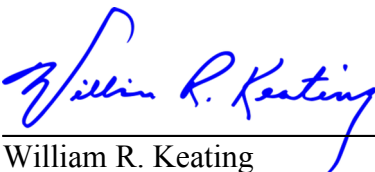
James P. McGovern
Member of Congress



Chris Pappas
Member of Congress



Joe Courtney
Member of Congress



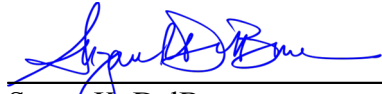
William R. Keating
Member of Congress



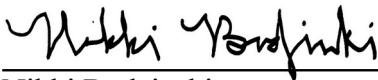
Robert C. "Bobby" Scott
Member of Congress



Julia Brownley
Member of Congress



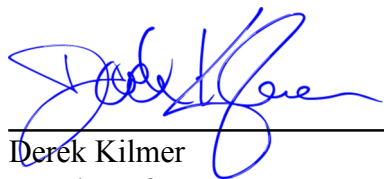
Suzan K. DelBene
Member of Congress



Nikki Budzinski
Member of Congress



Valerie P. Foushee
Member of Congress



Derek Kilmer
Member of Congress



Diana DeGette
Member of Congress