

# 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).<sup>1</sup> 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.”<sup>2</sup> At the time, many of us wrote to you in support of Direct File.<sup>3</sup> This filing season, the tool launched as a phased, limited-scope rollout in line with tech industry best practices.<sup>4</sup>

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<sup>1</sup> 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>.

<sup>2</sup> 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>.

<sup>3</sup> 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>.

<sup>4</sup> 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.”<sup>5</sup> 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.<sup>6</sup>

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.<sup>7</sup> “I just see it being helpful for so many millions of people.”<sup>8</sup>
- “It was the fastest I’ve ever done my taxes,” said one taxpayer in California.<sup>9</sup> “I didn’t have to worry about someone upselling me.”<sup>10</sup>
- “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.<sup>11</sup>
- “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.”<sup>12</sup>
- “It was one of the greatest experiences I have had doing [my taxes],” said an Arizonan.<sup>13</sup>
- “It was the most convenient way I’ve ever filed my taxes,” said a taxpayer in Washington State.<sup>14</sup> “I got to be honest, it surprised me how simple it was.”<sup>15</sup>

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<sup>5</sup> *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>.

<sup>6</sup> 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/>.

<sup>7</sup> 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>.

<sup>8</sup> *Id.*

<sup>9</sup> 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>.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> 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.

<sup>13</sup> *Id.*

<sup>14</sup> 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>.

<sup>15</sup> *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.<sup>16</sup>

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*<sup>17</sup> 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.”<sup>18</sup>

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.<sup>19</sup> 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.<sup>20</sup> 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.<sup>21</sup> A recent analysis also found paid preparers targeting low-income Black and Brown communities, often making costly errors and marketing predatory payday lending products.<sup>22</sup> 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).<sup>23</sup>

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

<sup>16</sup> *Id.*

<sup>17</sup> *Inflation Reduction Act of 2022*, H.R. 5376, Sec. 10301.

<sup>18</sup> *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/>.

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

<sup>20</sup> 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](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_06_FilingDelays.pdf).

<sup>21</sup> 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>.

<sup>22</sup> 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>.

<sup>23</sup> 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](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.”<sup>24</sup> The pilot has already shown the value of this approach, with an April 8<sup>th</sup> update to Direct File that allowed users to import previous-year adjusted gross income data required to validate their current year returns.<sup>25</sup>

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.<sup>26</sup>

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,



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Elizabeth Warren  
United States Senator



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Brad Sherman  
Member of Congress

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<sup>24</sup> 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>.

<sup>25</sup> 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>.

<sup>26</sup> 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/>.



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Thomas R. Carper  
United States Senator



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Katie Porter  
Member of Congress



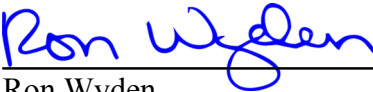
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Charles E. Schumer  
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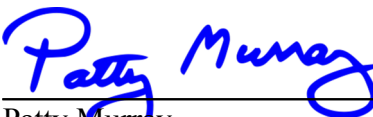
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Chairman, Committee on  
Finance



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Rosa L. DeLauro  
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Patty Murray  
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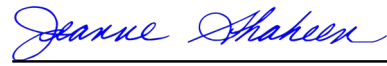
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Steven Horsford  
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Chris Van Hollen  
United States Senator



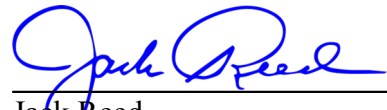
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Member of Congress



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Jack Reed  
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Eleanor Holmes Norton  
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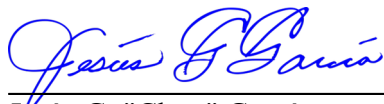
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Jared Huffman  
Member of Congress



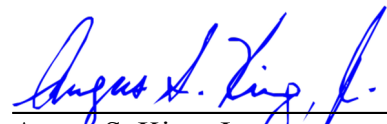
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John Hickenlooper  
United States Senator



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Jesús G. "Chuy" García  
Member of Congress



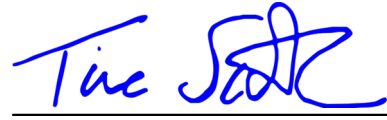
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Angus S. King, Jr.  
United States Senator



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Henry C. "Hank" Johnson, Jr.  
Member of Congress



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Tina Smith  
United States Senator



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Jamaal Bowman, Ed.D.  
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Michael F. Bennet  
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Bonnie Watson Coleman  
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Benjamin L. Cardin  
United States Senator



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Ro Khanna  
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Mazie K. Hirono  
United States Senator



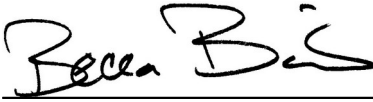
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Adriano Espaillat  
Member of Congress



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United States Senator



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Becca Balint  
Member of Congress



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Alex Padilla  
United States Senator



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Bill Foster  
Member of Congress



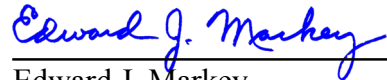
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Ilhan Omar  
Member of Congress



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Edward J. Markey  
United States Senator



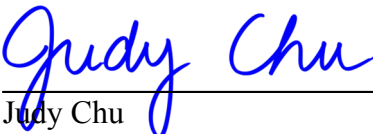
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Alma S. Adams, Ph.D.  
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United States Senator



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Judy Chu  
Member of Congress



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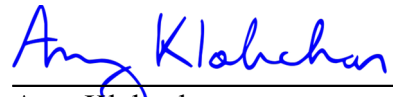
Bernard Sanders  
United States Senator





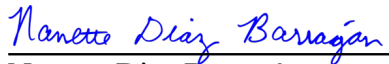
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Rashida Tlaib  
Member of Congress



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United States Senator



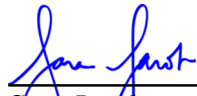
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Nanette Diaz Barragán  
Member of Congress



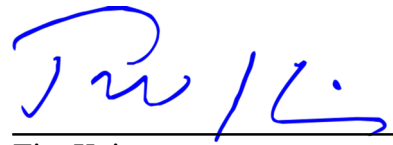
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Cory A. Booker  
United States Senator



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Sara Jacobs  
Member of Congress



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Tim Kaine  
United States Senator



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Val Hoyle  
Member of Congress



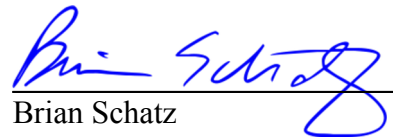
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John Fetterman  
United States Senator




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Maxwell Alejandro Frost  
Member of Congress



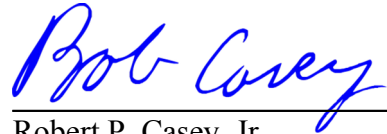
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Brian Schatz  
United States Senator



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Greg Landsman  
Member of Congress



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Robert P. Casey, Jr.  
United States Senator



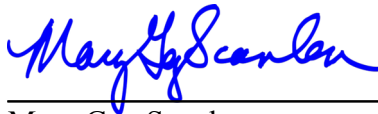
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Jan Schakowsky  
Member of Congress



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Christopher A. Coons  
United States Senator



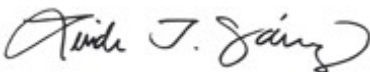
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Mary Gay Scanlon  
Member of Congress



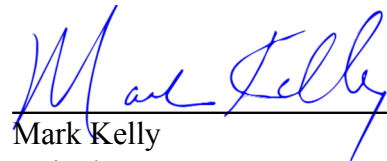
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Debbie Stabenow  
United States Senator



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Linda T. Sánchez  
Member of Congress



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Mark Kelly  
United States Senator



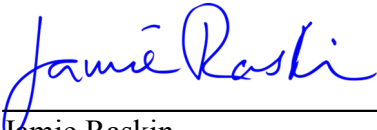
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Barbara Lee  
Member of Congress



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Martin Heinrich  
United States Senator



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Jamie Raskin  
Member of Congress



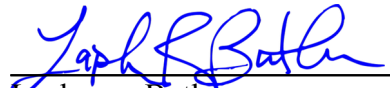
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Kirsten Gillibrand  
United States Senator



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Nikema Williams  
Member of Congress



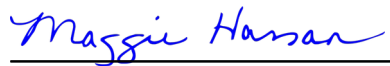
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Paul D. Tonko  
Member of Congress



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Margaret Wood Hassan  
United States Senator



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Earl Blumenauer  
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Raúl M. Grijalva  
Member of Congress



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Mark Pocan  
Member of Congress



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André Carson  
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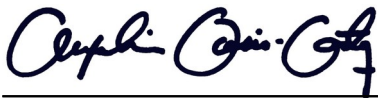
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Dan Goldman  
Member of Congress



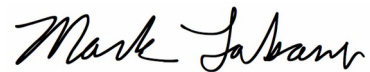
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Delia C. Ramirez  
Member of Congress



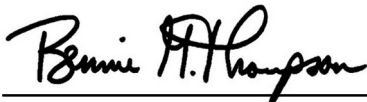
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Alexandria Ocasio-Cortez  
Member of Congress



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MARK TAKANO  
Member of Congress



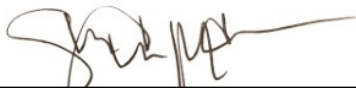
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Bennie G. Thompson  
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Bradley Scott Schneider  
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Lloyd Doggett  
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Shri Thanedar  
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Betty McCollum  
Member of Congress



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Seth Moulton  
Member of Congress



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Steve Cohen  
Member of Congress



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Jerrold Nadler  
Member of Congress



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Sheila Jackson Lee  
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Chrissy Houlahan  
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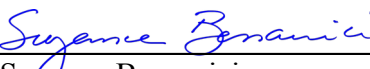
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Sean Casten  
Member of Congress



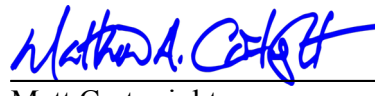
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Debbie Wasserman Schultz  
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Suzanne Bonamici  
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Matt Cartwright  
Member of Congress



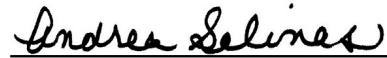
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Member of Congress



Darren Soto  
Member of Congress



David J. Trone  
Member of Congress



Andrea Salinas  
Member of Congress



Mike Quigley  
Member of Congress



Joyce Beatty  
Member of Congress



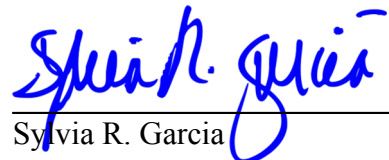
Susan Wild  
Member of Congress



Eric Swalwell  
Member of Congress



Robin L. Kelly  
Member of Congress

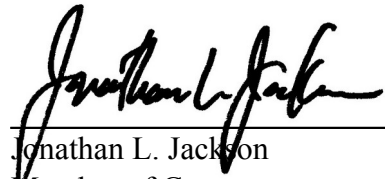


Sylvia R. Garcia  
Member of Congress



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Dina Titus  
Member of Congress



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Jonathan L. Jackson  
Member of Congress



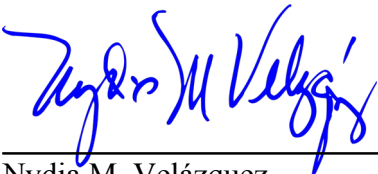
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Lisa Blunt Rochester  
Member of Congress



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Jennifer L. McClellan  
Member of Congress



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Nydia M. Velázquez  
Member of Congress



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Adam Smith  
Member of Congress



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Cori Bush  
Member of Congress



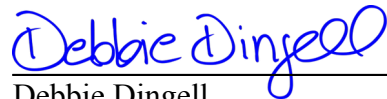
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Marcy Kaptur  
Member of Congress



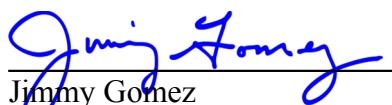
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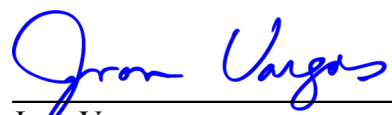
Ann McLane Kuster  
Member of Congress

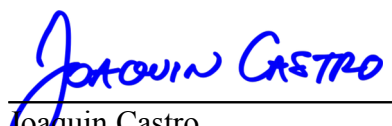


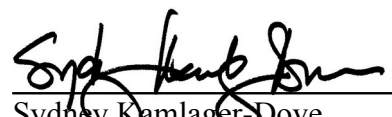
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Debbie Dingell  
Member of Congress


  
Jimmy Gomez  
Member of Congress


  
Juan Vargas  
Member of Congress

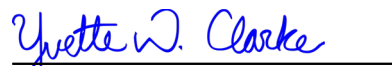
  
Joaquin Castro  
Member of Congress

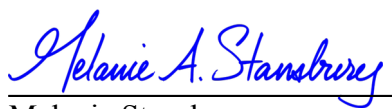
  
Sydney Kamlager-Dove  
Member of Congress


  
Robert Garcia  
Member of Congress

  
Jim Tokuda  
Member of Congress

  
Mark DeSaulnier  
Member of Congress

  
Yvette D. Clarke  
Member of Congress

  
Melanie Stansbury  
Member of Congress

  
Chellie Pingree  
Member of Congress





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Kevin Mullin  
Member of Congress



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Adam B. Schiff  
Member of Congress



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Andy Kim  
Member of Congress



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Dwight Evans  
Member of Congress



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Lori Trahan  
Member of Congress



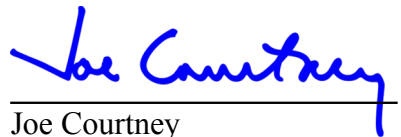
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James P. McGovern  
Member of Congress



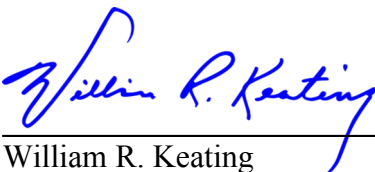
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Chris Pappas  
Member of Congress



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Joe Courtney  
Member of Congress



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William R. Keating  
Member of Congress



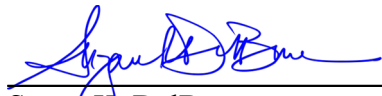
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Robert C. "Bobby" Scott  
Member of Congress



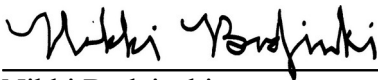
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Julia Brownley  
Member of Congress



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Suzan K. DelBene  
Member of Congress



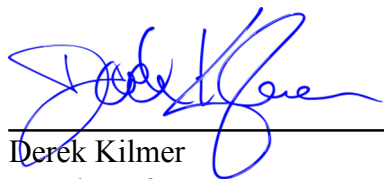
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Nikki Budzinski  
Member of Congress



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Valerie P. Foushee  
Member of Congress



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Derek Kilmer  
Member of Congress



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Diana DeGette  
Member of Congress