

July 12, 2023

The Honorable Kay Granger  
Chairwoman of House Appropriations Committee  
2308 Rayburn House Office Building  
United States House of Representatives  
Washington, DC 20515

The Honorable Rosa DeLauro  
Ranking Member of House Appropriations Committee  
2413 Rayburn House Office Building  
United States House of Representatives  
Washington, DC 20515

Dear Chairwoman Kay Granger and Ranking Member Rosa DeLauro,

As you prepare to markup the Financial Services and General Government (FSGG) appropriations legislation, we are writing to express our strong opposition to the bill's many harmful riders — including one that would block the development of a free Direct File option run by the Internal Revenue Service (IRS) — as well as provisions that would gut over \$10 billion in funding previously allocated to modernize the IRS.

Today, America's tax filing system is not working for working families. Every year, tens of millions of Americans who pay exorbitant fees and spend hours of their time filing taxes — despite being ostensibly eligible to file for free.<sup>1</sup> Millions more find it too hard or expensive to file taxes at all, including over five million households who qualify for the Earned Income Tax Credit (EITC) but do not receive it.<sup>2</sup>

The free and accessible Direct File tool the IRS is now developing<sup>3</sup> will be transformational for these families, particularly for people of color and other communities who are marginalized and excluded from support.<sup>4</sup> A well functioning program will create a free tax filing option to eliminate costs for tax filers and provide an easier pathway for people to claim tax credits that are often left on the table.<sup>5</sup>

There is widespread support for this commonsense, good-government program. A recent report from the IRS to Congress found widespread interest in Direct File, with over four in five taxpayers who currently self-prepare “very interested” or “somewhat interested” in an IRS Direct File tool, and over two thirds of them “very likely” or “somewhat likely” to switch to the IRS tool from their current filing option.<sup>6</sup> Leaders from both sides of the aisle have promoted a Direct File solution for decades.<sup>7</sup>

Sadly, legislative language included in the FSGG bill would ban the IRS from doing any work to “develop or provide taxpayers a free, public electronic return-filing service option” — even though the project is well within the agency's statutory authority and is a centerpiece of badly needed IRS modernization efforts under the Inflation Reduction Act.<sup>8</sup> Restrictions on Direct File and efforts to eliminate IRS funding not only hinder the agency's ability to provide a necessary and innovative service to taxpayers, but they also undermine the fundamental principle of equitable access to tax filing.

With this measure, Republican legislators are standing against working families and tax administration experts, and standing instead with the project's only true opponent: the tax preparation industry, which has a long and

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<sup>1</sup> <https://www.propublica.org/series/the-turbotax-trap>

<sup>2</sup> <https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states>

<sup>3</sup> <https://apnews.com/article/tax-irs-taxpayers-direct-file-ef2e9f92ad45984487fd368b851773af>

<sup>4</sup> <https://www.americanprogress.org/article/weak-safety-net-policies-exacerbate-regional-racial-inequality/>

<sup>5</sup> <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf#page=107>

<sup>6</sup> <https://www.irs.gov/pub/irs-pdf/p5788.pdf>

<sup>7</sup> <https://files.codeforamerica.org/2023/05/11172401/A-brief-history-of-direct-file.pdf>

<sup>8</sup> <https://medium.com/@taxlawcenter/the-irs-has-legal-authority-to-establish-a-free-direct-file-system-65cfa32433e5>

well-documented history of taking advantage of American taxpayers. In fact, Intuit, the largest tax prep company in America, recently agreed to pay a \$141 million fine to roughly 4.4 million people for tricking them into paying fees for tax preparation services they should have received for free.<sup>9</sup> More than 150,000 individual arbitration claims had also been filed against the company “by people seeking money back after they paid for software that, they said, should have been free.”<sup>10</sup> The tax preparation industry has failed American taxpayers, and failed to meet its legal obligation to offer Americans free filing options. This rider would only produce a win for the lobbyists of these companies, and continue forcing hardworking families who qualify for free tax filing to contribute to industry profits.

We strongly urge you to oppose any efforts to incorporate harmful riders into the appropriations process and to fully fund the IRS to support a fair tax system, crack down on wealthy tax cheats, guarantee the highest quality of taxpayer services for all Americans, and ensure that the IRS can build an effective system that would empower taxpayers to file their taxes for free. We have an opportunity to provide a free and fair option to millions of tax filers in America, making the tax system simpler and more equitable. Let’s not miss this opportunity.

Sincerely,

Americans for Tax Fairness  
Coalition on Human Needs  
Community Change Action  
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces  
Economic Security Project Action  
Groundwork Action  
Institute on Taxation and Economic Policy (ITEP)  
Main Street Alliance  
National Advocacy Center of the Sisters of the Good Shepherd  
NETWORK Lobby for Catholic Social Justice  
RESULTS  
Sojourners  
UnidosUS  
Unitarian Universalists for Social Justice

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<https://www.attorneygeneral.gov/taking-action/ag-shapiro-holds-intuit-accountable-for-misleading-taxpayers-secures-141-million-settlement/>

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<https://www.propublica.org/article/turbotax-maker-intuit-faces-tens-of-millions-in-fees-in-a-groundbreaking-legal-battle-over-consumer-fraud>