



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

May 16, 2023

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

Dear Commissioner Werfel:

Thank you for your delivery to Congress today of the report required by Section 10301(1)(B) of the Inflation Reduction Act. The statute directed the IRS to survey taxpayer opinions, estimate costs of an IRS-run Direct e-file System, and retain a third party to assess “the overall feasibility, approach, schedule, cost, organizational design, and Internal Revenue Service capacity to deliver...a direct efile tax return system.” I commend the IRS on its thorough work. I am also grateful to Professor Ariel Jurow Kleiman and New America for contributing their independent assessment to the report.

In the IRS IRA Strategic Operating Plan published last month, you described a shift in the IRS’s strategy for taxpayer services from the status quo to allowing taxpayers and tax professionals to interact with the IRS in the ways that work best for them. The data presented in the report delivered to Congress today shows taxpayers are interested in an IRS-run Direct File tool as another option for filing their taxes. Responses to the 2022 IRS Taxpayer Experience Survey cited in the report suggest that 72% of taxpayers are interested in an IRS provided tool to help them file their taxes accurately and securely.

Given strong taxpayer desire to have the option of an IRS-built tool to assist them in filing their taxes directly with the IRS, Treasury requests that the IRS pilot a Direct File option in the 2024 filing season. Piloting a Direct File option for next filing season will take a great deal of work. To achieve that goal, we are cognizant that the IRS will have to clear critical operational challenges, and the best way to be successful is to begin with a limited scope pilot that allows the IRS to test functionality for some taxpayers, evaluate success, and use lessons learned to inform the growth of the tool. We envision the pilot to be the first step in that iterative process. The Treasury Department stands ready to help the IRS navigate these challenges.

In carrying out this pilot, Treasury asks that the IRS keep the following principles in mind:

- **Listen to Taxpayers.** Treasury’s request for a pilot is driven by clear interest from taxpayers. Engagement with stakeholders, and, in particular, potential users, of the tool to solicit feedback is essential. Other stakeholders in the tax ecosystem, including state tax administrators, should also be part of the discussion. In every stage of pilot, using Direct File should be a choice rather than mandatory for taxpayers.

- **Earn Taxpayers' Trust.** The report demonstrates that taxpayers want an IRS Direct File option because they trust the IRS to provide accurate advice and to safeguard their personal data. The IRS must continue to be a responsible steward of taxpayers' sensitive data, consistent with applicable laws and regulations and best practices, including by aggressively mitigating cybersecurity risk.

Filing a tax return is one of the most frequent ways that Americans interact with their government. For too many, it is also a frustrating, scary, time-consuming, and expensive experience. The study that the IRS presented to Congress today provides good evidence that a large majority of taxpayers are interested in the option of a free IRS-built tool to make tax filing easier. We are eager to see the results of the pilot, as well as other efforts across the IRS and around Treasury, to continue making progress for the American people.

Sincerely,



Adewale O. Adeyemo