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OF WASHINGTON

November 8, 2023

The Honorable Janet Yellen
Secretary
Department of Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Secretary Yellen:

We write to express our strong support for the Internal Revenue Service's ("IRS") Direct File Pilot Program and a smooth and successful implementation ahead of next tax season. We believe it is essential to give taxpayers as many options as possible to quickly, easily and reliably file their returns, and a robust Direct File program is a critical element of a fair and competitive system.

Our support for an IRS-run alternative is informed both by our belief in consumer choice and our past experience with the tax preparation industry. In our role as state attorneys general, we joined together in a bi-partisan, multi-state investigation into Intuit, Inc., the owner of TurboTax, the most popular online tax preparation service. We discovered that the company was deceiving millions of low-income Americans into paying for tax services that should have been free. The investigation concluded with Intuit agreeing to pay \$141 million in restitution to 4.4 million residents of all 50 states and the District of Columbia.

The multistate investigation found that Intuit engaged in deceptive and unfair trade practices that limited consumers' participation in the IRS's Free File Program, which the company administered. The company used confusingly similar names for both the IRS Free File product and TurboTax's commercial "free" product. In addition, the company blocked its IRS Free File landing page from search-engine results and bid on advertising key words that directed consumers looking for the IRS Direct File product to the TurboTax's commercial "free" product.

Consistent with a recent Administrative Law Judge decision,¹ the investigation also found that Intuit's advertisements and its TurboTax website misled consumers into believing they qualified to use TurboTax to file taxes for free. Many consumers did not learn they did not meet the qualifications for the free service until after spending time and effort inputting tax information into TurboTax.

¹ <https://www.ftc.gov/legal-library/browse/cases-proceedings/192-3119-intuit-inc-matter-turbotax>

The IRS estimates that an average taxpayer spends 13 hours and \$140 each year to fulfill their tax filing obligation, leading to billions of dollars diverted from people receiving refundable credits to commercial tax preparation services. Millions more families find these and other tax-filing barriers insurmountable and don't or can't file taxes. For those who do file taxes, the tilted marketplace leads many to miss out on critical benefits to which they are entitled. For example, the IRS estimates that 21% of those eligible for the Earned Income Tax Credit do not claim it, and millions of children, disproportionately children of color, likely missed out on the expanded Child Tax Credit in 2021 because of barriers to filing. A publicly-owned, free and straightforward tool to file taxes directly with the IRS will save families time, money, and effort and put crucial benefits within reach for families who are currently missing out.

Critically, the online tax preparation giants such as Intuit know that an IRS-run alternative will force them to engage in fairer business practices, to the benefit of consumers all across the country. In fact, Intuit has acknowledged publicly the competitive threat of a government-run free e-filing system, including in Securities and Exchange Commission filings. Our investigation into Intuit demonstrated that an IRS Direct File system is necessary to ensure consumers have the tax preparation marketplace they deserve.

We look forward to the successful implementation of the IRS's Direct Filing Pilot Program and a fairer system for all taxpayers.

Sincerely,



Letitia James
Attorney General of New York



Rob Bonta
California Attorney General



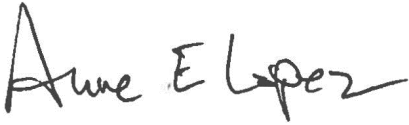
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