



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

July 26, 2023

Sharonne R. Bonardi
Peter Barca
Federation of Tax Administrators
444 North Capitol St., NW
Suite 348
Washington, DC 20001

Dear Executive Director Bonardi and Board President Barca:

I wanted to extend my sincere thanks for the assistance the Federation of Tax Administrators (FTA) has shown the Internal Revenue Service (IRS) and the Direct File team in both providing feedback on our recent report to Congress and in our ongoing efforts to deliver a pilot in the upcoming filing season. You, your staff, and members have been incredibly gracious in sharing your time and expertise with our team. Members of the Direct File team and I were pleased to join you last month for the FTA 2023 Annual Meeting in Providence, RI. We were glad to be able to speak with many attendees, including state tax officials, non-profit groups, and industry partners. Thank you for the warm welcome and productive conversations.

As you know, the IRS presented our report on Direct File to Congress, as mandated by the Inflation Reduction Act, in May of this year. The report found that a material number of taxpayers would be interested in a free IRS-provided direct e-filing tool, but substantially more so if that product included a state tax filing component. The U.S. Department of the Treasury has since directed the IRS to pilot a Direct File option in the 2024 filing season. Such a pilot will help the IRS better understand taxpayer preferences and needs. It is also a key component of our efforts under our new Strategic Operating Plan to evaluate options to improve services to help taxpayers meet their obligations and receive the tax credits and benefits for which they are eligible.

Since the release of the Direct File report, the numerous briefings and outreach events we have participated in with state tax administrators have been invaluable. Your recent survey of FTA members regarding interest in the filing season 2024 pilot and follow up conversations on technical capabilities has furthered our understanding of what is operationally feasible for each state by 2024.

We continue to engage one-on-one with states. We want to restate our desire to talk with any state that may be interested in working with us on the pilot, as well as states that simply want to learn more about Direct File. We are interested in continuing to learn

with a Direct File pilot, be they technological, policy-driven, or other concerns.

Please be assured that the IRS is committed to working collaboratively with state tax administrators and ensuring the continued success of the joint federal-state e-filing work that has been in place for decades. Without a doubt, this has been a historic effort that has improved tax administration and helped taxpayers at both the national and state levels.

Over the next several weeks, we will finalize our plans for state tax integration and pilot strategy so that we can focus on the technical aspects involved in testing a potential new filing option for taxpayers and state tax administrators. We welcome involvement from all states that are interested in taking part in the 2024 pilot. We'd like to continue to partner with FTA to make sure all state tax administrators are aware of the pilot and can engage with us for the upcoming Filing Season. We also understand that there are constraints that might limit a state's participation and we encourage ongoing conversations with all states, even if this initial pilot is not feasible for them.

The Direct File pilot team is excited to partner with states to ensure a best-in-class experience for taxpayers that includes both federal and state taxes. In the coming weeks the team would like to partner with FTA to provide an update to the states on our plans for state tax integration and pilot strategy. Any state interested in participating in the 2024 can express such interest by September 4, 2023.

As you noted in your most recent strategic plan, "collaboration is an integral part of successful tax administration" and I am most grateful for our ongoing collaboration on both Direct File and other issues impacting tax administration. I look forward to our continued partnership and am deeply grateful for all of your knowledge sharing and support over the past months.

Sincerely,

Daniel I. Werfel
Commissioner