

Code for America statement for June 2024 FTB Board Meeting

Code for America is a civic technology 501(c)(3) non-profit organization that believes government can and should work for all people in the digital age. Our Tax Benefits program is founded on the belief that tax filing should be free and easy, with the goal of ensuring low-income families receive the refundable credits they are entitled to in the tax code. In service of this mission, in filing season 2024, [we launched FileYourStateTaxes](#), an integrated state tax filing tool that makes it quick and easy for IRS Direct File users to file their state returns.

- Code for America supports the Direct File program to democratize and advance access to the tax system for low-income families, and supports more states building integrations to Direct File, so that taxpayers can file two returns through one seamless experience. **Direct File is central to the fight to advance access to refundable credits like the EITC.** An [Economic Security Project report from March 2024](#) estimated that Direct File could directly or indirectly close 80% of the refundable credits coverage gap, thus helping low-income Californians claim \$540M-\$1.38B in federal refundable credits alone, every year — not to mention additional credits available at the state level.
- Code for America understands that the state of California is considering building a Direct File integration for its CalFile tax filing product. Such an integration would allow California taxpayers to import into CalFile the data that they previously entered into Direct File while filing their federal return. Technically speaking, CalFile would integrate with the Direct File API, which allows taxpayers to consent to the transfer of their data, and have it sent automatically and directly to CalFile. CalFile would parse this data behind the scenes and use it to fill significant portions of the California return.
- **Such federal-state integration is critical to the taxpayer experience for Direct File users.** Without an integration, taxpayers must re-enter on a state filing tool significant amounts of information they have already entered federally — a challenging user experience for taxpayers who are used to filing federal and state returns together. If this data is imported, on the other hand, filing a state return can be a very short and seamless process for taxpayers. In New York, Direct File users who imported their data to Code for America's FileYourStateTaxes tool [were able to file their returns very quickly, with 86% finishing in 15 minutes](#). In Arizona, 91% finished in 15 minutes.
- Code for America built FileYourStateTaxes from start to finish in the latter half of 2023 and the beginning of 2024, with most of the work occurring from September onwards. While our software delivery team had expertise in filing barriers and pathways, we had never built a state efile return filing tool product, so nearly all of the functionality in the product was being created from scratch.
- Code for America built the integration with the Direct File API in the fall of 2023 for use in FileYourStateTaxes. **Integrating with the Direct File API was one of the least difficult parts of this overall technology build, and the underlying technology being used is straightforward and well-understood:** restful APIs exchanging secure data, then parsing and persisting that data. **We estimate that it took our engineering team of six engineers no more than a month to do the Direct File API integration** — and this was during the first year of the program, when the API was

being built on the IRS side while we built on our side. We expect the process would be easier, not harder, leading into filing season 2025. Throughout this process, the Direct File team was communicative and responsive in troubleshooting any issues.

- Our direct experience demonstrates that building a high-quality, Direct File- integrated state tax filing tool presents myriad challenges: ensuring accuracy of tax calculations, presenting plain but precise language to taxpayers, providing high-quality customer service, giving taxpayers information without overwhelming them with too much information. **However, that complexity is exactly the hard work that a state with an existing mature state filing tool has already done. Compared to these tasks, integrating with the Direct File API is the easy part.**

We believe California is well-equipped to build a Direct File integration for filing season 2025.