

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

May 30, 2024

RE: Support for Direct File and CalFile Integration

Dear Governor Newsom:

The undersigned 32 organizations – representing the interests of millions of low and middle income Californians – write to **request your support for making tax filing free and simple by fully integrating Direct File and CalFile**. You have demonstrated tremendous leadership on expanding state tax credits and access to them, and this represents the next chapter: saving low and middle income taxpayers hundreds of millions of dollars that they currently pay tax prep companies to file their tax returns.

Earlier this year, the IRS launched its Direct File pilot – creating the first-of-its-kind simple, free, and public tax filing tool. Twelve states participated in the pilot – including California – and the response was overwhelmingly positive: [90% of users rated their Direct File experience as excellent or above average](#). Beyond being easy to use, [Direct File saved families time and money](#) and was [overwhelmingly preferred over paid tax prep software and other methods of filing](#). Because of that success, more than [250 organizations](#) nationwide – representing all 50 states, DC, and Puerto Rico – called on the IRS to make Direct File permanent, expand it, and build more automation in the coming years.

Now that the IRS has [announced](#) that they will extend the Direct File program, we’re asking you to fully integrate Direct File with CalFile to allow Direct File user data to be prepopulated automatically into the state return via CalFile. A fully integrated free, easy, and accessible Direct File tool will be transformational for California families – allowing them to meet their tax filing obligation directly with the IRS and our state, without paying \$150 to a tax preparation company.

Direct File can and will change the American tax filing system for the better, by taking the headache and cost out of filing taxes for tens of millions of Americans. As [one taxpayer put it](#), it was “**just so darn easy.**”

America’s current tax filing system does not work for low- and middle-income families. In the first months of this year, after years of duplicitous marketing, [Intuit was barred from promoting their products as free](#), and the [FTC sued H&R Block](#) for its own suite of deceptive advertising practices. (Both companies are challenging the FTC’s actions.) **Today, tens of millions of Americans continue to pay billions of dollars to file returns they are supposed to be able to file for free.** And, America’s broken filing system leads millions of families to forego billions of

dollars in refunds. The [Economic Security Project reported in March](#) that a mature Direct File program would save existing taxpayers \$11 billion in filing fees and time savings and help families claim up to \$12 billion currently left on the table every year.

In California, [taxpayers could see \\$2.2 billion in benefits](#) – between eliminating filing fees, time saved, and recouped tax credits.

The Direct File product is user-friendly and human-centered, treating taxpayers with the dignity they deserve. The [complimentary feedback was pervasive](#), and [the reviews universally positive](#). [One taxpayer called it “the most convenient way I’ve ever filed taxes.”](#) Direct File’s mobile-first design, bilingual functionality, and live chat support powerfully demonstrated the IRS’s commitment to accessibility. Thanks to the scaled rollout and iterative approach, Direct File launched smoothly and without incident.

In their [After Action Report](#), the IRS has outlined a variety of ways that Direct File could be expanded and improved in 2025, including sharing more detailed data to state tools, enhancing chat assistance, and waiving some data input requirements for taxpayers. Direct File could also expand to cover more tax situations, and develop a results reporting system allowing greater integration with VITA programs.

State filing integrations are critical for Direct File; to date, Direct File has only been made available in states that can offer free, streamlined state filing solutions that work with Direct File. We saw in 2024 that such options are feasible and work very well for taxpayers. In New York and Arizona, for example, [the satisfaction rate for users of the integrated state filing tool was 96%](#). Nine out of 10 of federal Direct File users in those states went on to complete their pre-filled state return via the state integration – and 88% did so in 15 minutes or less. Different states across the country have found different ways to integrate with Direct File based on their different technology, and we believe California should do the same.

The Direct File pilot was designed to test whether this approach to free, public, electronic tax filing could work. There can be no doubt that the answer is a resounding “yes.” It is time to bring the full benefits of this successful tool to California taxpayers and build the 21st century tax administration our residents deserve. We call on you to support the full integration of Direct File with CalFile for California taxpayers.

Thank you for your consideration. Please contact Teri Olle at Economic Security California Action (teri@economicsecurity.us or 415.377.4698) with any questions or to discuss further.

Sincerely,

AFSCME California

All Home

Amigos de Guadalupe Center for Justice and Empowerment

Barrio Action Youth & Family Center
Building Skills Partnership
California Alliance of Caregivers
California Child Care Resource & Referral Network
California Competes: Higher Education for a Strong Economy
California Immigrant Policy Center
California Low-Income Consumer Coalition (CLICC)
Children's Defense Fund-California
Courage California
Economic Security California Action
End Poverty in California
Family Assistance Program
GLIDE
Golden State Opportunity
GRACE/End Child Poverty CA
Indivisible CA: StateStrong
Inland Empire Labor Council
Inland Equity Community Land Trust
Lighthouse Silicon Valley
MyPath
National Council of Jewish Women Los Angeles
Northern Santa Barbara County United Way Inc
Orange County United Way
Prison From The Inside Out, Inc.
San Diego for Every Child
United Way of Greater Los Angeles
United Ways of California
Western Center on Law & Policy
Young Invincibles

cc:

Selvi Stanislaus, Executive Officer, Franchise Tax Board
Jeanne Harriman, Chief Financial Officer, Franchise Tax Board
State Controller Malia Cohen; Chair, Franchise Tax Board
Sally J. Lieber, Chair, Board of Equalization; Member, Franchise Tax Board
Joe Stephenshaw, Director, Department of Finance; Member, Franchise Tax Board