



AMERICAN COALITION FOR
TAXPAYER RIGHTS

February 8, 2021

The Honorable Paul Marquart
597 Rev. Martin Luther King, Jr., Blvd.
St. Paul, MN 55155

The Honorable Cheryl Youakim
591 Rev. Martin Luther King, Jr., Blvd.
St. Paul, MN 55155

Re: H.F. 376

Dear Chairman Marquart, Representative Youakim and Members of the House Taxes Committee:

I write today on behalf of the American Coalition for Taxpayer Rights (ACTR), a national coalition of the leading retail tax preparation, tax software and financial services settlement companies in regard to H.F. 376, which would require that the Department of Revenue study and report to the Legislature on free electronic filing options for the individual income tax. I write to provide you with information on the IRS Free File Program as well as offer our assistance on this issue.

ACTR's 14-member companies assist in the preparation and filing of approximately 110 million of the more than 155 million individual federal income tax returns annually, as well as with millions of annual state returns. Our member companies also provide millions of financial products to facilitate the tax refund and savings transaction for taxpayers. Furthermore, five ACTR members participate in the IRS Free File Program, and our association has always supported Free File, as well as our member companies' provision of other free tax preparation and filing options that are available, particularly for low- and moderate-income taxpayers.

Since the Free File Program's inception, approximately 60 million free federal returns have been provided through this public-private partnership, and the Program has saved taxpayers an estimated \$1.7 billion in tax preparation and filing fees that they otherwise would have spent. Millions of free state tax returns also have been provided as a direct result of the IRS Free File Program. In 2020, for example, IRS received more than 4.201 million tax returns through the Free File program compared to 2.814 million in 2019. That is a nearly 50-percent increase over the prior year, despite a delayed tax filing deadline.

<https://www.irs.gov/newsroom/irs-free-file-use-soars-taxpayers-still-have-time-to-do-their-taxes-for-free>

While the IRS Free File Program is generally available to the lowest 70 percent of income earners, the Program also makes available "Free File Fillable Forms," which are

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available to taxpayers of all incomes. Last year, Free File Fillable Forms made a special effort to support the issuance of Economic Impact Payments (EIPs) for taxpayers during the COVID-19 health pandemic and economic crisis, creating a form for those who had not filed a tax return to claim and direct EIP payments. Almost 8 million citizens utilized this free industry service, which helped all of them obtain the EIP-2 payments at their correct bank account and address.

Outside of the IRS Free File Program, ACTR members and other private-sector tax preparation companies voluntarily provide millions of free federal and state returns every year. In fact, free returns prepared and filed through the commercial websites of Free File Program members totaled more than 20 million in 2020, according to recent aggregated data provided to IRS. Thus, the total of free returns provided by the industry includes more than 24 million returns, when Free File Program returns are added to the commercial returns. (Our organization also has agreed to collect the comparable numbers on free commercial state returns in Minnesota and provide it to the state DOR for the first time in May 2021.) Most recently, free returns were changed to include many frontline healthcare, police, and other workers who are helping communities everywhere get through the health pandemic and economic crisis.

While more could be done to make the public aware of these options – efforts that ACTR fully supports – a study as proposed in this legislation would show that Minnesota taxpayers today have a wide variety of free options when it comes to filing their federal and state income tax returns.

We encourage you to consider ACTR and its members as a resource. We can provide useful insight and context on this issue.

Thank you for your consideration.

Sincerely,

/s/

Stephen M. Ryan
Counsel, American Coalition for Taxpayer Rights (ACTR)