April 18, 2016

Re: Support for the Tax Filing Simplification Act of 2016

1. We, the 54 undersigned law professors and economists, support the Tax Filing Simplification Act of 2016, introduced by Senator Warren to simplify tax filing for all American taxpayers.**[i]**

2. The United States has one of the most confusing and expensive tax filing systems of any nation. Americans spend billions of dollars a year in preparation fees. They spend millions of hours on record-keeping and filing.[1]

For many Americans, tax filing is anxiety-provoking, because taxpayers must interpret complex IRS forms and rules. Even taxpayers who seek help with their taxes must deal with the stress of finding the right preparer, choosing the best tax software, and saving slips of paper with confusing names, such as 1099-INT.

3. Faced with these difficulties, millions of lower- and middle-class Americans who have refunds coming simply don't file. Others file but fail to claim refunds and credits. Wealthier Americans file but incur unnecessary costs and burdens.[2]

4. Much of the time and expense involved in tax filing is unnecessary. The government already receives nearly all of the information it asks salaried taxpayers to provide. This includes wage, interest, dividends, and property and stock sales data. The Tax Filing Simplification Act allows taxpayers and their preparers to access this information. It further allows taxpayer to receive this data in the most usable form – as entries on an electronic return in the taxpayer's chosen tax preparation software or in a pre-prepared return provided for free by the government. To make this possible, the bill requires that third-party-provided data is reported to the government in a timely fashion so that it can be made available to taxpayers in a timely fashion as well.

These provisions should substantially reduce record-keeping and filing costs. The provisions should also reduce post-filing adjustments and audits by reducing the number of mistakes taxpayers make when filling out forms.[3]

5. The Tax Filing Simplification Act allows taxpayers with simple returns to request a pro-forma return pre-populated with taxpayers' data, completed tax calculations, and the amount of taxes or refund due. Taxpayers can review that return and correct any errors. After review, they can sign and file the return.   Pre-prepared returns are the norm in many countries, and have been

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[1] Austan Goolsbee, *The 'Simple Return': Reducing America's Tax Burden Through Return-Free Filing*, Discussion Paper 2006-04, The Brookings Institution (July 2006) (online at http://www.brookings.edu/~/media/Research/Files/Papers/2006/7/useconomics-goolsbee/200607goolsbee.PDF).

[2] For example, the IRS recently announced that it had over $950 million in unclaimed 2012 refunds. Internal Revenue Service, "IRS Has Refunds Totaling $950 Million for People Who Have Not Filed a 2012 Federal Income Tax Return" (March 10, 2016) (online at https://www.irs.gov/uac/Newsroom/IRS-Has-Refunds-Totaling-950-Million-dollars-for-People-Who-Have-Not-Filed-a-2012-Federal-Income-Tax-Return).

[3] In California, a pilot program offering taxpayers pre-prepared returns saw error rates as low as 0.5%. *See* California Franchise Tax Board, *ReadyReturn Pilot – Tax Year 2004 – Study Results* (April 20, 2006) (online at https://www.ftb.ca.gov/readyReturn/TY04RRFinalReport.pdf).

successfully used in California.[4] Under the bill, these returns are voluntary. These returns will substantially reduce tax filing costs for qualifying taxpayers.

6. The bill requires that the government make high quality tax-filing software available for free for all taxpayers. Taxes filed electronically (e-filed) using tax preparation software are easier to complete than paper returns, less susceptible to mathematical error, and used by all professional preparers.

The complexity of today's tax laws makes software-enabled filing a virtual requirement. Thirty years ago, no one would have supported a system in which paper returns and instruction booklets were available only for a fee paid to for-profit companies. Citizens relied on the IRS to provide them the forms they needed to file their returns. The Tax Simplification Act's requirement that the IRS provide that software to citizens who wish to use it is a much-needed improvement to our current system, in which taxpayers have limited options for e-filing taxes and must share data with private third parties in order to submit their tax returns electronically. The bill does not require that any taxpayers use government-supplied software.

7. The Tax Filing Simplification Act prohibits the IRS from entering into agreements with the tax preparation industry that limit its ability to provide tax software.   In the past, agreements signed between the IRS and the software companies that are members of the Free File Alliance have given the tax preparation industry, which is dominated by one or two companies, exclusive control over tax filing. In return, the industry has agreed to provide "free filing" for low-income taxpayers. This has been a great bargain for industry, but a bad bargain for taxpayers.[5]   No citizen should have to pay for the software necessary to file taxes, nor should they be required to go through an industry middle-man to get their forms to the IRS.

8. The need for online security is addressed by provisions designed to ensure integrity of and security of the tax-filing system by requiring that these programs can only be accessed if an individual has verified his or her identity to the satisfaction of the Secretary of the Treasury.

Sincerely,

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Austan Goolsbee,
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[4] Joseph Bankman, "Simple Filing for Average Citizens: The California Ready Return," *Tax Notes* (June 13, 2005): 1431-1434 (online at http://taxprof.typepad.com/taxprof_blog/files/2005-11952-1.pdf).
[5] For more information on how the existing Free File Program sells taxpayers short, see Laura Saunders, "Why 'Free File' for Taxes Isn't So Popular: Here's How to Navigate the Maze of Offerings and Avoid Charges," *Wall Street Journal* (January 30, 2014) (online at http://www.wsj.com/articles/why-free-file-for-taxes-isnt-so-popular-1422633546).

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[i] The undersigned are giving their institutional affiliation for identification purposes only; they are signing only in their individual capacities.