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# United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

GABRIELLE D'ADAMO SINGER, STAFF DIRECTOR  
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August 13, 2020

**VIA ELECTRONIC MAIL (WolfMA@gao.gov)**

The Honorable Gene Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, D.C. 20548

Dear Comptroller General Dodaro:

In 2002, the Internal Revenue Service (“IRS”) entered into an agreement with a consortium of private-sector tax preparation companies --known today as Free File, Inc. (“FFI”) --to offer free online tax preparation and filing to taxpayers meeting a certain income threshold and other eligibility criteria. The program objectives included making tax return preparation and filing easier for individual taxpayers and supporting the congressional goal of increasing electronic filing of tax returns to 80 percent of returns by 2007. In return, IRS historically pledged not to offer its own electronic filing services. IRS and FFI have periodically renewed the agreement, most recently in 2018 when the two parties extended the agreement until October 2021. An addendum, signed in December 2019, deleted the provision that prohibited IRS from creating its own online filing system; prohibited companies from hiding their free products from search engines; and required customer satisfaction studies.

Recently, this Subcommittee conducted a review of the Free File program and released a staff memorandum summarizing its findings. The Subcommittee learned that the IRS conducted little oversight of the Free File program until recently, and its lack of marketing for the program likely led to a lack of consumer awareness that hampered participation. The Subcommittee also identified the names of five companies that made it more difficult for customers to find their Free File products in online search engine results.

We request that GAO perform a study of the Free File program to address the following questions:

1. What is known about how the income levels, demographic characteristics, and use of tax credits (e.g., the Earned Income Tax Credit) among Free File users compare to taxpayers who file a return through other means?
2. How does the level of erroneous and fraudulent tax filing among Free File users compare to taxpayers who file a return through other means? What, if any, additional safeguards are in place to prevent errors and fraud and ensure the security of taxpayer information?

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3. Section 7216 of the Internal Revenue Code specifies privacy protections for the data that taxpayers provide software companies in preparing their returns. Generally, taxpayers must have the opportunity to explicitly consent to companies sharing or selling their data for marketing purposes. How does IRS oversee and enforce these requirements and to what extent are companies complying?
4. How was FFI selected to help identify and distribute the 2020 economic impact payments? What process did the IRS follow in doing so?
5. What considerations is IRS using to inform its decision on whether to renew the agreement with Free File, Inc. set to expire in October 2021?
  - a. To what extent is IRS's analysis considering strategies to mitigate risks previously identified by this Subcommittee, GAO, the MITRE Corporation, the National Taxpayer Advocate, and IRS's Advisory Council?

Please contact Roberto Berrios at 202-224-3721 or [Roberto\\_Berrios@hsgac.senate.gov](mailto:Roberto_Berrios@hsgac.senate.gov) if you have any questions about this request. Thank you for your attention to this request.

Sincerely,



Tom Carper  
Ranking Member  
Permanent Subcommittee on Investigations

cc: The Honorable Rob Portman  
Chairman  
Permanent Subcommittee on Investigations