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The Future of Tax Filing

Part 3: Beyond Direct File: A Vision for the Future of Tax System Access

Chapter 14: Non-filers: better data, a post-April focus, a dedicated team, automated second-best returns, and simplified filing

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¹ This chapter is informed by user research led by Allison Abbott.

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Summary

- In this chapter, we define *true non-filers* as those taxpayers who either must or should (to get a refund) file, who remain non-filers even when the distortions induced by dependent rules have been eliminated from the analysis (see [Chapter 12](#)), and who remain non-filers even once Direct File has been scaled up as a free and easy option.
- Though the IRS may embrace some extraordinary special measures to engage non-filers, the paramount long-term goal is always that taxpayers ultimately file a standard full return. Thanks to the fundamental parameters of the U.S. tax system, only a full return can guarantee that taxpayers are getting the complete benefits they deserve from the tax code. (14.1)
- Because of the subtleties and unknowns in engaging non-filers, our best recommendations in this section concern not specific programmatic interventions, but rather organizational ideas: meta reforms that create a fertile environment for closing the non-filer gap. (14.2)
 - The IRS needs better internal and external data on the non-filer population. Internally, the agency needs a by-name list of (likely) true non-filers, to target interventions and measure success. Externally, it needs to publish credible aggregate-level estimates of the size and characteristics of the non-filer population, to track success and guide third-party efforts. (14.2.1)
 - The IRS should establish an ecosystem-wide practice of engaging non-filers after April 15, thereby splitting the filing season into a traditional season (January-April) and a non-filer period targeted at those remaining (May-November). This approach would allow messaging and interventions to be better targeted at the right taxpayers; it would take advantage of the additional confidence the IRS can have in its own data later in the year; and it would better spread capacity across the year. (14.2.2)
 - The IRS should create a Non-Filer Team whose dual mandate is to get non-filers as much of their refund for recent tax years as possible, while also

setting them back on the path to full filing in future years. The Team’s interventions should be run as randomized controlled trials, so they can quickly learn what works and iterate. For a variety of reasons, such a team inherently has to exist at the IRS, rather than at a third-party organization. (14.2.3)

- The Non-Filer Team’s mandate would be to experiment and figure out what works. We discuss a few of the ideas they may explore implementing. (14.3)
 - User research suggested that many taxpayers do not know they can file late, and a mere reminder of this fact could be helpful in moving the needle. Taxpayers also appeared universally enthusiastic about the idea of the IRS sending reminders to file, the type of thing they generally expect institutions in their life to do (14.3.1). There are a handful of design issues to resolve regarding any such notices (14.3.2).
 - The IRS might also consider sending automated “second-best” returns to true non-filers during the second half of the year. Despite the general principle that taxpayers should file full returns, the agency might conclude that something is better than nothing for taxpayers who otherwise might not file at all (14.3.3). Taxpayers, though, were split about this idea in user research (14.3.3.2), and it is not entirely clear if there is a promising implementation here that does not collapse back into a Direct File referral (14.3.3.3).
 - The Non-Filer Team may also explore collaboration with VITA to target true non-filers. (14.3.4)
- *Simplified filing* is a term of art defining a niche alternate filing process whereby filers with functional-zero income (low enough that they are not required to report it, and that they are not eligible for any credits which depend on the precise amount of their income) might file without reporting any income whatsoever. Unlike in 2020-2022, the current federal tax code has no provisions that would occasion simplified filing, but even if it did, we believe it would not be worth pursuing a standalone simplified filing solution; better to streamline the standard Direct File pre-populated filing pathway as much as possible than to create competing pathways to file. In the case where states have use for simplified filing, we still believe it would be more productive to funnel those taxpayers through non-simplified Direct File. However, in a world without Direct File, relevant states may pursue their own limited standalone simplified filing products. (14.4)
- States may consider creating their own Non-Filer Teams along the lines discussed in 14.2.3. These Teams could target the additional population of taxpayers who file federal, but not state, returns. (14.5)

Much of the energy of the tax access space has, naturally, focused on non-filers — people who don’t file returns and thereby leave money on the table. This chapter is about steps the tax agency can take to reduce the incidence of non-filing. But we take a perhaps unique approach to bound the issue.

First, the re-alignment of dependent rules discussed in [Chapter 12](#) is critical to this project. As discussed there, we believe portions of the non-filer population may not be what they seem, due to the misalignment between dependent laws and everyday Americans’ understanding of them. What appears to be a large population of non-filer families with children who might be due huge refunds may actually be childless adults due quite small refunds, or who have no reason to file at all. And tax units that are not required to file, and do not stand to get refunds, are not who we are looking for here: they are not, we might say, *true* non-filers. Fixing this disconnect might mechanically eradicate a meaningful portion of the non-filer population overnight — *especially* those with kids. We speculate there are already likely relatively few true non-filers with kids, and if the definitions were realigned, we would see that the true non-filer population remaining is largely single childless people, probably young taxpayers. This assumption is central to our analysis. **We do not expect that these interventions will be targeting tens of millions of taxpayers, who leave tens of billions of dollars on the table. Rather, we expect we are targeting somewhere on the low end of single-digit millions of taxpayers, leaving hundreds of millions of dollars unclaimed.**

Second, the expansion, improvement, and promotion of Direct File is critical. [User research suggests](#) that much of the remaining non-filer population finds tax filing daunting due to the choice overload of filing options, and its general expense and difficulty. Therefore, Direct File’s expansion, we believe, will mechanically address another large chunk of the non-filer population even without any other specific reform measures. We should not be looking at using non-filer special measures for people who simply need a free official filing tool.

So in this chapter, we think about non-filers as the people who must or should file² that are left after the above reforms, and we are focused on the kinds of extraordinary measures that might be taken to reach this relatively small remaining population. We *do* think this population will still exist. Even in a world with re-aligned dependent rules, and with a robust and scaled Direct File, there would remain some non-negligible portion of the 160-or-so million American tax units that would simply fail to file a return. Some would be young people, or newly-arrived immigrants, who had not yet filed their first (U.S.) return. Some would be generally regular filers who had a major life event in the first part of the year which interrupted their normal filing practices. Some would be people who made a mistake on taxes in the past and were afraid to re-enter the system. Some would be chronic non-filers, who are not required to file, and who never realized they would stand to gain from filing a return. Even if these populations totaled just 1 in 1,000 taxpayers, that would still be over 150,000 households. **In what follows, we sometimes refer to this population as *true non-filers*, and the project to get them their refunds as *closing the true non-filer gap*.**

For this specific population, what additional special measures might we undertake?

² A taxpayer without a filing obligation who is not due a refund is not a taxpayer who must or should file, and thereby not a true non-filer for purposes of this chapter.

In Section 14.1, we cover some philosophical issues about this problem, including rebutting common proposals about blanket automation of tax refunds. In Section 14.2, we offer what we think are the most promising proposals to reach true non-filers: not programmatic interventions per se, but a structural and organizational approach that we think will in turn ultimately yield the appropriate interventions. In Section 14.3, more speculatively, we offer some potential ideas for interventions to explore. In Section 14.4, we focus in particular on the intervention of offering ‘simplified filing’ for zero- or near-zero-income households.

These sections all effectively are restricted to the question of *federal* non-filers: helping ensure taxpayers who do not file *federal* returns can file those *federal* returns. Section 14.5 extends the analysis to state filing, including the (potentially larger) population of state non-filers who have filed a federal return.³

Finally, this chapter focuses on interventions that are internal to the tax system, not considering interventions requiring external collaboration with, for example, benefits agencies. In addition to serving as a useful conceptual distinction, we believe it makes sense for tax agencies to start with internal non-filer programs before moving on to the logistically more challenging project of crossagency collaboration.

14.1 Philosophical issues: why full returns are the ultimate goal

The rest of this chapter will explore various extraordinary measures we might take to get funds to non-filers, in lieu of filing a full return. But before proceeding, **it is critical to understand that the goal for all taxpayers should be full returns — via Direct File or a quality service of their choice. Anything less is a second-best measure, one of the goals of which is to get taxpayers back to filing a full return.**

Why? Because, as discussed at much greater length in [Chapter 2: Direct File and data import / pre-population](#) — and particularly in Section 2.1.2 — filing a full return is the simplest process that actually guarantees a taxpayer receives all of the benefits they are entitled to.

Advocates and commentators often point out, correctly, that there is a lot that the IRS, and the government writ large, *does* know about a taxpayer. Indeed, this is why pre-population is at the top of the Direct File agenda, and why it will make incredible strides in simplifying the full-filing experience.

But there are lots of things the IRS doesn’t know — child care expenses this year, cash income, changes in family structure and marital status, residency in the United States, changes in disability status, certain tax-deductible education payments, and much more. When it comes to state returns, tax agencies do not even reliably know what state a taxpayer lives in. If the IRS (and, by extension, state tax agencies) were to simply issue its best-guess return, based on prior-year data and current-year information returns, the refund

³ The converse population, federal non-filers who have filed a state return, is assumed to be effectively nonexistent, given the mechanics of tax filing.

amount *could* be quite wrong, and in many cases would lead taxpayers to leave hundreds or even thousands of dollars on the table. For example:

- Last tax year, you took in your sister's son, living with him for most of the year and becoming his primary caregiver. You are now eligible for head of household filing status; for the Child Tax Credit; and for the Earned Income Tax Credit with children. The government does not know about this new child in your household, and would calculate your taxes incorrectly by potentially many thousands of dollars.
- Last tax year, you and your children moved out of your parents' home, where you had been living, and where the kids' grandparents paid the basic household expenses. You are now eligible to claim Head of Household filing status, drastically changing many aspects of your tax return, and likely increasing your refund by over \$1,000.
- Last tax year, you decided to start looking for work, and began paying your neighbor to watch your kids during the day. You are eligible for potentially thousands of dollars from the Child and Dependent Care Tax Credit.

In some cases, these sums left on the table could exceed the benefit access gaps that reformers set out to close in the first place.

Reformers may then concede that some taxpayers may be better served by entering their own data, but other taxpayers surely have no special circumstances, and would be well-served by a fully automated return. Could the IRS issue automated returns for just these taxpayers, encouraging the rest to file full traditional returns? The trouble is, the government does not know which taxpayers have additional data to report; indeed, if it knew, it would generally not need the taxpayer to report it. The government *can* provide to taxpayers the information it already knows, and ask taxpayers to review the information and fill in anything missing. And that is exactly what the IRS had begun to develop with pre-populated returns in Direct File — returns that marshal all the information at the IRS's disposal and ask taxpayers the relevant questions to fill in what is missing.

This argument is explored at more length in [Section 2.1.2](#).

But, suppose for argument's sake that the last point were not true: suppose the IRS *could* somehow determine which taxpayers were appropriate for a fully automated return in a given year, and filed those accurate returns without taxpayer involvement. What, then, would happen in the future? Most of these taxpayers would eventually have some sort of life circumstance that *does* require their involvement to file an accurate return. But these taxpayers will now have been conditioned to rely on the automated solution, creating a transition friction when a change in income sources, family status, or state residency requires them to move onto the more interactive filing path. Forcing abrupt shifts between fully automated and manual systems risks taxpayer disengagement, leading to inaccurate

returns and incomplete refunds.⁴ We may have systematically created, in other words, second-class taxpayers.

This is why, in the long run, the IRS's goal must be for every taxpayer to file a full return. **A full return — with maximal pre-population and cost-free services via Direct File — is the easiest process taxpayers can go through that guarantees they get their full benefits.** So, ultimately, if we establish anything less than 'traditional full filing' as the goal of the non-filer program, we will ultimately end up perpetuating the problem we set out to solve: taxpayers leaving money on the table.

And this is also why a robust and functional Direct File is a prerequisite to the entire non-filer program. Without Direct File, there is no normal, easy, full filing process that the IRS can reliably refer temporary non-filers back to; there would be too much missing at the core of the filing system to tractably address this edge case.

While the rest of this chapter explores extraordinary measures for non-filers, the paramount goal is getting every taxpayer to file a full return.

14.2 Organizational approach

To a meaningful degree, despite years of attention to the issue, we do not know *exactly* what programmatic interventions will be effective in reaching non-filers. To the degree there are promising approaches — discussed in the next section — even they will take dedicated experimentation and iteration to reach perfection. As such, **we believe the most effective thing the IRS can do to close the true non-filer gap is to set up the right structures for success and give them time to work.** This section proposes such structures.

14.2.1 Better research and data on the non-filer population

Naturally, a good first resource in closing the true non-filer gap is basic information about true non-filers. This information comes in two categories: (1) For public consumption, in aggregate terms, what are some of the key characteristics of true non-filers? Are they concentrated in certain age groups, income bands, family structures, geographies, or type of income? How many true non-filers are there, and is this number increasing or decreasing over time? (2) For use within the agency, who *exactly* are these people? Can we create a list of the people we are confident are true non-filers, or at least very likely to be?

Current IRS data is woefully not up to the task. IRS issues its most thorough data about EITC non-filing, but even on this narrow subject there is significant ambiguity:

⁴ Notice how Direct File's iteratively pre-population-first approach mitigates this risk by keeping taxpayers in the loop each year — maintaining continuity while still reducing burden — so changes in circumstances surface through the course of (simple and free) interactive filing.

- Official government estimates on the EITC gap — as discussed in [Economic Security Project's 2024 Direct File report](#), Appendix C — range from 5 to 7.4 million households, and \$7.3 to \$11.5 billion.
- These public statistics often fail to distinguish between non-filers and non-claimant filers (those who file returns but fail to claim a credit on that return), which are two meaningfully different populations; the latter will be addressed with better oversight of private preparers (see [Chapter 15: IRS and private providers](#)).
- The IRS has released only high-level illustrative information on the kinds of populations that may be more likely to not claim EITC (listing, for example, non-traditional family structures, childless people, people with limited English proficiency, as in this [press release](#)) — not nearly precise enough to design targeted engagement programs.
- As discussed at length in [Chapter 12 on dependents](#), it is likely that a meaningful fraction of the alleged EITC participation gap reflects a misattribution in IRS estimates: adults not actually eligible for EITC because their children were legitimately claimed by another family member. These families are being erroneously included in many models of the EITC participation gap, skewing those estimates.
- Also as discussed in [Chapter 12](#), the IRS appears to issue conflicting sets of estimates for the EITC participation rate, using different methodologies and yielding different answers.
- These are all macro statistics. To our knowledge, the IRS has no individual-level record of people that they believe are outstanding EITC-eligible non-filers. (The IRS does identify a smaller set of taxpayers who may be eligible for EITC but failed to claim it on their return, for purposes of targeting the CP09 and CP27 notices — but these are all tax filers. Non-filers, about whom the IRS has less information, are categorically not included in the CP09/CP27 program.)

Of course, this is all relative to the EITC. There may be plenty of non-filers who are not eligible for EITC but are eligible for a refund due to excess withholding or other refundable credits — but the IRS has little to no systemic public estimate of this broader non-filer population whatsoever. (One former member of the administration reported that Treasury analysts have estimated the size of the non-filer population, but this analysis was performed on population samples and extrapolated to calculate broader trends, not using micro-level administrative datasets.)

Reformers pushed for more detailed reporting [during the Biden administration](#), and the [IRS Strategic Operating Plan](#) in 2023 contained multiple initiatives (within SOP Section 4) to improve this reporting. To our knowledge, though, the primary advancement that came of this work was a [late-2024 report](#) that focused mainly on taxpayers who filed returns and failed to claim credits they were eligible for, and used Census data (rather than IRS data) for a limited exploration of non-filers — which was again reported by credit, rather than aggregated into a single population.

As a result of all this ambiguity, we do not have a reliable order-of-magnitude estimate of the size of the true non-filer population — much less a descriptive analysis of who these people are, much less a by-name list within the agency of which individual people might be targeted with special measures to promote tax filing.

At times, analysts and policymakers within government have led external stakeholders to believe that creating better and more tractable estimates is impossible due to the many unknowns. These skeptics are of course correct that it is impossible to measure the true non-filer population with perfect precision: we are trying to measure the negative space between two enormous populations (those who should file and those who do file), and that inherently involves getting deeply into the weeds of complex edge cases and exceptions. And we just discussed in the previous section that the IRS does not have sufficient data to automate taxpayers' returns with anything close to 100% precision. **But the IRS has all the data it needs to calculate probabilistic estimates that any given person is a true non-filer. On the micro level, there is no problem with targeting non-filer measures at a tax unit with only a 50% chance of being a true non-filer, provided communications are well designed; and at the macro level, probabilistic estimates would aggregate to accurate estimates. This would all represent a monumental improvement over what is currently available — an improvement that is badly needed to actually make progress.** Automating taxpayers' returns requires perfect data; preparing lists of taxpayers who *might* be eligible and calculating the likely size of an aggregate population does not. Better data is only impossible if we let the perfect be the enemy of the good. In an effort to avoid putting out imprecise estimates, the IRS is perpetuating a status quo where even the order of magnitude of the problem is unknown.

The IRS can pursue all of the following steps well within the bounds of its current data and infrastructure:

- *An internal dataset identifying all Americans who have not filed (or appeared on a return as a dependent) in a given year.* The IRS can construct the universe of all adults based on information returns (W-2s, 1099s, 1095s). (This universe can optionally⁵ be augmented with all taxpayers who filed a prior return and have not — according to Social Security data — died since their last return was filed.) This would be the source-of-truth dataset used to implement interventions targeting this population and to measure those interventions' success. (There will, of course, be some judgment calls to make in this exercise. Most likely, taxpayers who filed extensions

⁵ In a world without fully refundable CTC, low-income taxpayers with zero income do not meaningfully have a reason to file a return: they do not have withholding to recoup, and they are ineligible for any credits. As such, a universe that includes only taxpayers with information returns should in most cases be sufficient. That universe could be incomplete if information returns arrive late, or if taxpayers have only cash income that (illegally) goes unreported on information returns; cross-referencing with prior-year returns could help flesh out this missing population. Adding the prior-year population, on the other hand, might introduce some taxpayers who have left the country and are no longer required to file in the United States. How to best balance these imprecisions is an empirical question best left to the analysts doing the work.

would not be included in this dataset, although the IRS may consider including some or all of them if, empirically, they often do not go on to file a return, despite the extension. There will also be complexity in the treatment of people who are — based on prior returns or based on age — likely to be dependents on another return; should they be included as independent entries or subsumed, implicitly or explicitly, into another tax unit? These are just two examples of the challenging decisions analysts would have to make.)

- *A probabilistic model determining how these individuals are clustered into households, which of these adults should file a return, and the approximate size of the refund they could claim.* The IRS should include anyone with a filing requirement, anyone with any withholding, and anyone likely eligible for EITC or CTC. Given uncertainty about family structure and unreported income, this will necessarily be a *probabilistic* model. Assumptions about family structure will generally have to be carried forward from past returns. There may be taxpayers whose need to file and likely refund are not known with much certainty, but that does not mean they are not known at all. Critically, the model needs to tackle the issue of cross-household child claims discussed in [Chapter 12](#). Even if the dependency laws have not changed, for example, it is not worth classifying a taxpayer as having an outstanding with-child EITC claim if, empirically, they trade off claiming children with an ex-spouse, and the ex-spouse has already claimed the children for this tax year. This portion of the model also needs to translate from figures denominated in people, to those denominated in tax units. 4 million people who do not appear on tax returns, for example, will translate to far less than 4 million outstanding tax returns — a mismatch that very often causes confusion in tax data.⁶
- *A single, reliable, public estimate of the number of outstanding true non-filers who ought to file returns for any given tax year* — based on the above datasets. The IRS may experiment with releasing this figure as a number of people or as a number of tax units. This figure will be larger than the EITC gap per se, as it will also include those who stand to gain from excess withholding or other credits. But it would *not* include non-claimant filers, who are a meaningfully different population.
- *A yearly detailed public analysis of who is in the true non-filer gap.* What patterns do we see in the data in terms of age, language spoken, race, geography, types of income, housing status, or previous filing history? Some of these attributes can be witnessed or inferred directly from the IRS data. In some cases, though, analysts may choose to use matched Census data to augment the picture they can draw of these true non-filers. We want to know not just that “taxpayers with limited English proficiency are less likely to file,” but rather, for example — “30% of non-filers do not speak English; 80% of these are Spanish speakers concentrated in Texas and California, and they appear to be predominantly first-generation immigrants.”

⁶ In Direct File year two, for example, it was widely estimated that a little over 30 million tax units were eligible. This was often misunderstood to mean Direct File covered about 10% of Americans, instead of, more accurately, around 20%.

14.2.2 Reaching non-filers after April 15

We believe it would be productive to concentrate the implementation of any extraordinary measures for true non-filers into the May-November period each year. This is for several reasons:

- Tax agencies and tax-focused organizations (like VITA sites) are generally at maximum capacity assisting with the core filing season between January and April; any other tasks are inherently deprioritized to deal with the volume of traditional returns. By the same token, in some parts of the system, there is spare capacity in the summer and fall.
- The paramount goal is always for taxpayers to file a full return. Promoting alternate non-filer pathways before April 15 risks pointing taxpayers in two different directions, complicating messaging, and probably inducing a meaningful number of taxpayers to inadvertently file the wrong type of return, leaving significant money on the table. By separating these periods temporally, the message for all taxpayers before April 15 is to file a full return. After April 15, the IRS can identify the smaller set of taxpayers of remaining non-filers, and target them with different messaging, and more flexible options. Put differently, after April 15, we know who the non-filers are, and we know that the first-best option — an on-time full return — is unlikely.
- After April 15, it becomes increasingly possible to make increasingly reliable assumptions about non-filers' as-yet unfiled returns, and the information that would appear on them. With this information in hand, the IRS can take bolder steps to pre-populate or automate portions of taxpayers' returns than would be appropriate during the traditional season.
 - Most dependency claims have already been made. Suppose a taxpayer claimed a given child on their return in the past. If, after April 15, no one else has yet claimed that child, it is quite likely no one else *plans* to claim them, and that this taxpayer will be the one who can make the claim. Similarly, if, after April 15, no one has claimed a given taxpayer as a dependent on their return, it is quite likely no one *will* claim them, and it is reasonably safe to assume they are not going to be claimed as a dependent and can file an independent return.
 - Most information returns will have been received. W-2s are due to taxpayers and the IRS on January 31 and most 1099s by March 31 — and these forms can arrive late, or be amended, with corrections and late forms trickling in through the year. In March, automating a return based on available information returns is a dicey proposition. But, as the year progresses, it is increasingly likely that all information returns have arrived and are complete.

In such a world, operations and communications would be meaningfully split in two. January-April is the traditional filing season, with agencies and organizations focused on helping every taxpayer file a full return. May-November is the non-filer season, with agencies and organizations focused on picking up everyone who did not file a full return in

the first part of the year, getting them as much of their refund as possible, and putting them back on track for the following year.

14.2.3 A team focused on non-filer engagement and experimentation

We propose the creation within the IRS — and perhaps within the Direct File team itself — of a targeted Non-Filer Team. The team’s mandate would be two-fold:

1. Get non-filers the refunds they are entitled to, or at least the majority of that refund, for any current or past tax years in which they have missed the filing deadline. In August 2025, for example, the team would be tasked with getting refunds to taxpayers for tax year 2024, 2023, and 2022.
2. Convert these non-filers to full filing in the following year. An explicit desired outcome for a TY2025 intervention implemented in August 2026, for example, is that the taxpayer file a full TY2026 return before April 15, 2027.

Note that the first goal intentionally includes the phrase “at least the majority of that refund.” The calculus here — discussed further in Section 14.3.3 — is that, after April 15, a first-best full return is less likely, and so the Non-Filer Team may resort to second-best return options, getting a household some, but not all, of their tax benefits. Something is better than nothing, and keeping a household connected to the tax system has value, so that taxpayers do not disconnect and become chronic non-filers.

But this is why the second goal is just as critical as the first. The program would backfire if, by making a second-best option available, the Non-Filer Team convinced their audience that there is no need to ever file a full return and that the IRS will simply take care of it in the second half of the year. This could enshrine a system where the household never claims their full refund. As such, the Non-Filer Team has a dual mandate.

There is some precedent for the idea that these two goals can reinforce each other. In 2008, economic stimulus payments greatly increased the incentive for certain low-income taxpayers to file tax returns, including through [a custom simplified filing process](#) akin to the one established in 2020. [Ramnath and Tong \(2016\)](#) found that taxpayers induced to file in 2008 by the stimulus payments were also more likely to file in future years, even when those extraordinary payments were not available.

The Non-Filer Team would have access to the datasets discussed in Section 14.2.1, and would use them both to target interventions and to measure the results of those interventions. Generally speaking, in fact, the Non-Filer Team should implement most of its interventions as randomized controlled trials (RCTs), and use individuals’ observed filing behavior following the intervention to learn what works. Given the uncertainties about what works, the control group in any such RCT must be ‘no intervention,’ not a light, or ‘information-only’ intervention. (It is our view that running such RCTs in a government context is a valid policy in the public interest. However, if IRS decisionmakers feel that such an RCT violates principles of universalism, the control groups could be separated from

treatment groups by separating the interventions in time, with treatment groups receiving treatments 6-8 weeks in advance of control groups — though this impairs the ability of the IRS to measure impacts on the second prong of the dual mandate.)

The Non-Filer Team needs the authority (or access to expedited approval channels) to quickly design and create IRS notices and forms that can be used in their interventions.

Quick implementation and iteration, far faster than the IRS's standard multiple-year form revision process, is critical to the team's success. As such, the team would likely need a direct report to a high level of the IRS. Moreover, the team would probably need some way to work around the time-consuming dictates of the Paperwork Reduction Act (PRA), which would be inconsistent with rapid iteration. The simplest way forward would be an act of Congress requiring the agency to solve the non-filer problem and exempting from PRA the work of this team.⁷ Barring Congressional action, the team may have to get more creative.

The Non-Filer Team could be housed within the broader Direct File team. This would allow the teams to share mutually-relevant user insights about making the tax system more accessible to marginal filers; it would give the Non-Filer Team a viable pathway to collaborate with Direct File if and when there are portions of the Direct File product itself of relevance to their work (for example, if taxpayers need to complete an online form related in some way to a tax return); and it would help with the broader project of “upselling” non-filers from extraordinary measures in one year to standard full filing in the next.

The Non-Filer team inherently must exist within the IRS, not at a non-public third party.⁸

There are several reasons:

- The IRS can, per Section 14.2.1, identify specific individuals who have not filed, and directly target them with personalized interventions. Outside groups inherently do not (and cannot) have this data.
- The IRS can use its microdata to measure the effectiveness of non-filer interventions, analyzing which targets accessed what refunds this year or next year. Outside groups again do not have this data.
- Previous work has established that the IRS is, unsurprisingly, a more trusted messenger than third parties regarding individuals' tax obligations. The IRS can send IRS notices that speak on behalf of the IRS. Third parties cannot.
- The IRS can create and authorize second-best filing pathways; third parties cannot. The IRS can use prior-year return and information return data to drive those second-best processes, where, again, third parties cannot. All third parties can do is drive people to existing filing options, [something that generally does not work](#).

⁷ Precedent exists in the Affordable Care Act, which exempted the Center for Medicare and Medicaid Innovation from the need for PRA review.

⁸ Given the low probability the current administration would create a Non-Filer Team in the current IRS, this does of course postpone the potential creation of such a program.


14.3 Programmatic ideas: notices and second-best returns

What should this new Non-Filer Team actually do? In this section we explore what we learned from our round of user research, and lay out some possible interventions. We offer these as first draft considerations rather than final policy prescriptions; it is in experimentation and iteration that the rubber will really meet the road.

14.3.1 Findings from user research

During our user research sessions, we asked taxpayers to think about what they would like the IRS to do to help out if it were November, and they had failed to file their return that was due in April. During many of these sessions, we showed taxpayers three possible scenarios of what could happen in this situation.

1. You are allowed to file, and you do not owe any penalties for late filing, but the IRS does not take any action to tell you this information.
2. The IRS sends you a note that you are likely eligible for a refund, and reminds you to file.

 <p>Department of Treasury Internal Revenue Service Atlanta, GA 33901-0025</p>	<p>Notice: CP91 Tax Year: 2024 Notice date: November 1, 2025 SSN: NNN-NN-NNNN To contact us: 800-829-1040</p>
<p>FRED TAXPAYER ADDRESS CITY, STATE ZIP</p>	
<p>Important information about your 2024 Federal Tax Return</p>	
<p>You may be eligible for a refund of at least \$1,315</p>	
<p>Dear Fred,</p>	
<p>The IRS has not yet received your tax return for 2024.</p>	
<p>According to our records, you may be eligible for a refund of at least \$1,315. Your exact refund amount depends on your income and family situation, among other factors.</p>	
<p>Even though April 15 has passed, you can still file to receive your refund. You don't owe any penalties for late tax filing.</p>	
<p>We encourage you to file as soon as you can to claim your money.</p>	

3. The IRS sends you a note that you are likely eligible for a refund, with a pre-completed return that expedites the process of filing a return.



Department of Treasury
Internal Revenue Service
Atlanta, GA 33901-0025

Notice: CP91
Tax Year: 2024
Notice date: November 1, 2025
SSN: NNN-NN-NNNN
To contact us: 800-829-1040

FRED TAXPAYER
ADDRESS
CITY, STATE ZIP

Important information about your 2024 Federal Tax Return

You may be eligible for a refund of at least \$1,315

Dear Fred,

The IRS has not yet received your tax return for 2024.

According to our records, you may be eligible for a **refund of at least \$1,315**. Your exact refund amount depends on your income and family situation, among other factors.

Based on information available to the IRS, we have prepared a draft tax return for you. This return is based on your income reported by your employers and financial institutions, as well as information you reported in prior years.

You may be able to claim additional tax credits and receive a larger refund if you update the draft with more of your information and file a full return.

In order to claim your tax refund, you have two options:

- You can review the enclosed draft return and confirm that it is accurate. You can sign and return it to us via mail, or online at irs.gov/substitute-for-return.
- You can file a full return with more information to claim any additional tax benefits available to you. A free IRS tax filing service is available at directfile.irs.gov.

Keep in mind that our research participants were all regular filers, and so findings from this research *may not generalize to the target non-filer population.*

We heard a few key themes from this research.

Many taxpayers do not know there is no penalty to late filing if you are owed a refund; some did not know you could file late at all. In general, they discussed the actual status quo as if it would be an exciting change for the better.

- *“I think that’s great if...you could just file it, you could get what they owe you. Not owe any penalties. That would be awesome.”* — Participant #13
- *“But if you can e-file and you do remember that, oh my goodness, I forgot to file my taxes, then I think that would be great. And you don’t have any penalties. I think that that would be a fantastic option.”* — Participant #8
- *“I don’t know what would happen if I was supposed to get money back. I’m guessing there’s probably a penalty for doing it late.”* — Participant #1
- *“But I do think that people shouldn’t be penalized. I understand the taxes needing to be done by a certain time. But if you’re owed that money, you should be owed the money regardless, without penalty, in a perfect world.”* — Participant #12
- *“I would hope they would allow you to file, even if you’re late.”* — Participant #3

Only one taxpayer clearly knew that taxpayers due a refund are able to file late without penalty.

Taxpayers uniformly thought the idea of the IRS doing *something* for taxpayers who had neglected to file would be helpful and positive. Discussing a reminder letter, the smallest intervention we could picture, feedback was basically universally positive. Some saw it as well beyond what the IRS *should* have to do, but still thought it helpful. Most flagged that it seemed out of character for what they view as a punitive IRS.

- *“I want them to remind me. In a perfect world, they're reminding me because they owe me money... I also want to be reminded if it looks like I may actually owe money.”* — Participant #11
- *“I think they should let you know, because maybe you forgot. Maybe things were really crazy. You've had a really rough time and that just slipped your mind. So I would rather know... [Upon reviewing mock-up reminder letter] That's good. That's what I was imagining.”* — Participant #15
- *“It seems like if they were going to send something, it wouldn't be telling you that...we think we owe you this money. I think they would just be like, no, you're supposed to file your taxes. So, this sounds nice.”* — Participant #13
- *“It's your job to file your taxes. The IRS shouldn't have to be your mommy and tell you to file your taxes. Everybody knows that there are a few constants in life and taxes are one of them. So if you don't file your taxes, you don't get your refund, that's your fault... [After seeing a mock-up reminder letter] That would be a lovely letter... I mean, in a perfect world, I think that would be ideal. You know, we pay into the taxes, so it would be nice if there were more things that helped people on an individual level because taxes are scary. And everything else I have in my entire life sends me letters like this to remind me to do things that I'm supposed to do. The IRS should. They don't, but they should. I think it would be definitely helpful to most human beings to be reminded because we all forget... My boyfriend does not [do his taxes on time, and once] he did his taxes really late, and he owed money... This [letter] would have saved him.”* — Participant #12
- *“I think a lot of people would probably be like, thank you IRS, for reminding me to file my taxes.... I think that'd be fantastic as a reminder... I think people would definitely open it up, especially when it comes from the Department of Treasury.”* — Participant #8

There was less consensus when it came to the question of whether the IRS should do more than send straightforward reminders. Taxpayers' opinions on this question are explored further below in Section 14.3.3.

Both hypothetical interventions we showed participants entailed the IRS communicating that the taxpayer was likely owed a refund — even though there would in practice be inherent uncertainty about the size of the refund, and even whether the taxpayer could end up owing. Handling this uncertainty introduces a tremendous amount of complexity. Many taxpayers said that it would be very damaging to get a communication suggesting a likely refund, just to later discover they got no such refund.

- *“Oh, that would be terrible. That would be a great big letdown. To say you may be eligible for this dollar amount, which is a lovely dollar amount for a working family, and then to process that and find out at the end that you owe money — for people that are living check to check, that’s kind of devastating.”* — Participant #12
- *“Give me a ballpark figure, and then once we get in there, it’s okay as long as it’s just somewhere around there.” [What if instead of getting a refund you owed taxes?] “Well, that’s heartbreaking.”* — Participant #11

Most taxpayers had not in fact noticed that the sample letters we showed them *did* express uncertainty about the eventual refund. Even after noticing this, some argued that the notice implied more certainty than it literally expressed.

- *“They do say your exact refund depends on your income, family... They’re using kind of uncertain language, ‘you may be eligible for refund.’ But it’s so bold there. It feels like you’re definitely getting a refund.”* — Participant #13
- *“The part where it says your exact refund depends on your income and family should be highlighted on its own line.... because they should know that letdown might happen... You told me that [the refund amount was uncertain], and I still, my brain went, oh, there’s money — until I went back and read it the third time... A different font, or italics, something that stood out, saying: ‘look, this might not be the dollar amount that you receive; you could...receive this amount, depending on your family circumstances.’”* — Participant #12

On the other hand, several taxpayers noted that prominent language about a likely refund would be critical to getting people to take the notices seriously.

- *“I feel like it’s prepared me enough by saying ‘your exact refund amount depends on your income and family situation... If you read things and you think logically, then you would notice that... [But] if you’re just someone that says, oh, I see, I get a refund, then you need to read things more carefully. And there’s nothing you can do about those people. But I think they do need [to see the estimated refund amount], though, like a carrot.”* — Participant #15
- *“Yes, this is great, especially if [the fact that it’s a refund] is nice and bold at the top... Maybe they should put something like, you’re not in trouble, like on the envelope or something.”* — Participant #8

Catching taxpayers’ attention and getting them to take action without projecting overconfidence is complicated, and will take concerted user research, iteration, and experimentation.

14.3.2 Reminder-to-file notices

A basic notice reminding and encouraging non-filers to file, and explaining that they will likely not face fees for doing so, is the simplest step the Non-Filer Team could take. As discussed in the previous section, our user research strongly validates the notion that such

a notice would be a good idea. Indeed, the circumstantial evidence that such a limited intervention could be effective is strong enough that we believe the Non-Filer Team ought to start here, before moving on to more complex interventions.

Skeptics may note that, in 2020, [the California Policy Lab \(CPL\) released blockbuster research on EITC outreach](#), showing that reminders to file were entirely ineffective.⁹ The tax access field understandably inferred from this finding that mere outreach was fruitless. But such notices from the IRS would be different than those CPL tested: they would be targeted specifically at those who did not file and they would be able to definitively tell their targets that they had an outstanding return to file; they would come from the IRS, not a third party¹⁰; and they would contain useful information — that taxpayers did not miss their chance to file. This last point can be surprisingly critical. Although filers receiving refunds can file today without penalty, our user research participants generally did not know this and were pleasantly surprised to learn it. This fact could be new information for many recipients.

In a Direct File world, the letters could also contain a more precise and direct call to action — to visit directfile.irs.gov and start a return. Without Direct File, the CPL letters had to refer to a filing options page that may well have induced choice overload.

There is also precedent for such reminder-to-file notices from the IRS in special cases, including notices about Economic Impact Payments sent to millions of non-filers in [2020-2022](#), which [may have been effective](#).

Of course, the operational details of designing and delivering such a notice interact significantly with the IRS communication considerations in [Chapter 10](#).

There are a few critical open questions about the design and targeting of the notice:

- *Refunds versus taxes owed.* The actual situation facing taxpayers varies significantly between those with positive tax liability (who may owe penalties, which taxpayers may interpret as “being in trouble”) and negative tax liability (who categorically do not owe penalties). These interventions are of course primarily intended for taxpayers due refunds — not least because the IRS already has (some) systems to collect taxes from delinquent taxpayers who owe.¹¹ But should this intervention also cover positive-liability taxpayers as well, who after all will owe less fees the earlier they file, and do eventually need to be brought back into the system? If so, how can the notice properly address this ambiguity? If not, how would the team correctly identify the right taxpayers? A taxpayer who is projected to have even a sizable

⁹ Later, CPL [released additional research](#) suggesting that tax benefits outreach nudges could be useful specifically in the case of pointing taxpayers to official simplified filing tools to claim expanded stimulus and CTC payments temporarily available during the pandemic.

¹⁰ Most of the letters in the CPL study were from state benefits agencies or NGOs, though some were sent by the state tax department — though not the IRS.

¹¹ In practice, though, we are under the impression that these systems are predominantly deployed against relatively few taxpayers with high expected liability, which makes sense.

refund could, after all, easily end up owing tax (perhaps, for example, because they no longer have the dependents they claimed last year). And, how would the notices and filing products explain in empathetic plain language such a scenario? Even if such cases were rare, they could be incredibly damaging to taxpayer trust — as we explored in the user research laid out above.

- Our tentative recommendation is to design first the case where taxpayers are very likely owed refunds; the uncertain use case that could plausibly end in either a refund or a debt is too niche for a minimum viable product. This may include, for example, childless taxpayers with no history of cash income and no APTC payments during the year, and with withholding well in excess of tax liability. The team should carefully track the actual refund/debt amounts faced by target taxpayers so as to refine and improve projections over time. But the team should still extensively test and iterate to find designs that highlight the likely good news while not setting unrealistic expectations.
- *Amount of refund.* A special case of the dynamic above concerns the inclusion in the notice of a specific estimated refund amount, which we included in our sample notices in user research. As discussed above, taxpayers thought this was productively eye-catching information, but again that the estimate could do damage if it was wrong, even if the taxpayer still received a (smaller) refund.
 - Our tentative recommendation is to A/B test a few variants of this parameter — in user research, and if that is inconclusive, in practice. In one treatment, taxpayers do not receive a precise refund estimate at all. In another, taxpayers receive a precise estimate, but calculated conservatively, such that it is highly likely to be an underestimate. In a third, taxpayers receive the point estimate of the single most likely value for their refund. In possible alternate interventions, taxpayers receive a range of dollar figures (explicitly communicating uncertainty), or an estimate rounded down to the nearest \$100, 500 or \$1,000 (implicitly communicating uncertainty).
- *Call-to-action.* Finally, there is a question about the call-to-action on the notice. Actionability is important, especially for a population that has already shown some reluctance to actually file, and we strongly recommend any such notices contain direct calls to action, not generic encouragement to file, or links to pages with a choice-overload-inducing number of filing options. The obvious answer is to simply point taxpayers to Direct File, the single official entrance to tax filing. But perhaps it would be helpful to provide some options with hands-on additional assistance, since this may be disproportionately a population that already failed to use Direct File during the regular season. (Of course, if Direct File implements the tiered-assistance approach outlined in [Section 13.4](#), then a simple Direct File referral will already do this. See also Section 14.3.4, below, about a possible VITA collaboration.) The team should experiment with various options. In the case that taxpayers are referred to Direct File, perhaps collaboration with the core Direct File team could help reveal where such taxpayers are disproportionately likely to get stuck, thereby revealing more about what would be needed to get these taxpayers to file.

14.3.3 Automated second-best returns

A step up from mere reminder-to-file notices would be some sort of automated second-best return, that the IRS prepares based on available information — from prior-year returns, from information returns (W2s and 1099s), and via inference from all the other returns already filed. These draft returns would assume that information returns are an exhaustive picture of the taxpayer's income. They would assume that — net of the passage of time — family structures and dependency relationships are unchanged from the previous year, as long as there is no data on *other* already-filed returns to contradict this assumption.

It is reasonable to ask why we are discussing such an intervention at all, given the extended argument we made in Section 14.1 that returns cannot wholesale be automated, and that the IRS must prioritize full filing. But there are two good reasons to entertain the idea in this context. First, as discussed above, in the post-April 15 period, the IRS can have more confidence that such an automated return is accurate. Second and more importantly, at some point, the priorities change. In February, the appropriate goal is that taxpayers take the time to file a full, correct return and get the biggest possible refund. By six months later, and certainly by 18 months later, it is becoming quite likely the taxpayer will get nothing at all. The alternative is less likely a full refund and more likely a \$0 refund. **While we strongly believe any automated return is a second-best return, we also think that, at a certain point, a second-best return becomes better than nothing.**

That said, **our research suggests such an intervention is absolutely worth trying — but it is not nearly the slam dunk that reminders to file are, for a variety of reasons, explored throughout this section.**

14.3.3.1 Defining the automated return and target audience

Some assumptions would be hard or impossible to make on a fully-automated return. Even if a taxpayer claimed the Child and Dependent Care Credit in a previous year, it would be dubious to assume their child care expenses were exactly the same this year. In this case the draft return would have to leave out the credit completely — or perhaps request additional information in an accompanying worksheet (see below).

The Non-Filer Team may choose to prioritize those taxpayers for whom multiple prior returns show consistent family structures, and show no cash income that is missing from information returns. Indeed the team may choose to wait until a *following* year to prepare draft returns for taxpayers whose past data suggests particular uncertainty, or for whom the inability to make viable carry-forward assumptions is likely to negatively impact the taxpayer's refund.

14.3.3.2 Taxpayer attitudes

While our user research demonstrated near-consensus in favor of simple reminder notices, attitudes were more mixed about the idea of draft returns. In some cases the attitudes

depended on the details of the mechanics, which we discuss in more detail in the next section.

Some taxpayers were clearly in favor.

- *“It would be pretty easy to [file] if they've already done that for you and you haven't really had any changes. Yeah, I like that. It seems pretty proactive of them. It seems like they really want you to go ahead and file.” — Participant #13*
- *“I do like this letter more [than the mere reminder to file]. I like the idea of a draft.” — Participant #14*

One taxpayer even suggested that providing the draft return would provide some badly-needed context on the uncertainty in the refund amount.

- *“I think that's a great idea because I think people need as much assistance as they can get... I like that it starts it for you. I think that's a great idea. This is definitely the superior [notice]... I think that makes it really clear — that you have to take action to follow up... Also that I like the part about it creating a draft and then telling you to go check that for accuracy because we all do that before we sign something.... The first one didn't give a lot of information and it didn't give you any real options. It was just like, hey, I'm getting some money. That was what I read from the first one. This one says: this might happen.” — Participant #12*

Other taxpayers, though, thought a draft return wasn't really necessary — and in fact might not be helpful in the case that the taxpayer does need to make changes.

- *“And so I think a reminder would be nice, but I don't think anything else is necessarily needed.” — Participant #9*
- *“I mean, that's nice that they did that. But it looks like it wouldn't save you time if there are changes. So, to me, it would be kind of extra. I wouldn't expect that. I think it would be more cost saving, especially since our taxes go to fund the IRS, if they just give that first reminder. If they made it easy to, like, check boxes and say, okay, check this happened, check this happened, and then you sent that off, that would be great.” — Participant #15*

Indeed, the rubber really meets the road in the case where the draft return is *not* completely correct. In this case, taxpayers generally liked the idea of being able to edit the draft return. But at least one taxpayer inferred that such editing would be difficult, and said she would accept the draft now and go back *later* to file a full return (a process that could cause problems if the later-filed return yielded a smaller refund than the one already paid):

- *“That means if I want it quick, I would need to take the draft that they did and just confirm. And if I found that I left opportunities or money on the table, I could actually refile my taxes to get the additional monies back, or I could start from scratch and file the full return... I would choose the first one where I'm following their draft first. And if I felt like it didn't have enough information, I would then take the time [later] to refile my*

taxes for the year... The goal is to not have any sort of penalties, so to get this money as soon as possible. And time is money... So if I do additional calculations... as long as it's within like \$50 to \$100, like, you know, I'm not going to really kill myself and start my taxes all the way over for that amount. But if I realize that I had additional deductions, credits, whatever, and I guess the program just overlooked it, and it equaled a few hundred dollars or close to a thousand, I would definitely refile the full tax form and I would do it the standard way I normally do.” — Participant #11

In a meaningful sense, then, taxpayer attitudes depend on the details of implementation.

14.3.3.3 Finding a unique implementation

Given taxpayers' stated preference that the draft return be editable, and given that easy edits would reduce the probability that taxpayers claim the wrong-size refund, perhaps the answer seems obvious: taxpayers should be referred to an online service where they can review the information the IRS has, make any edits, and file a return.

But this should sound familiar: this is precisely the functionality of Direct File with pre-population.

So what, then, is a technical implementation of this 'automated return' that does not simply collapse back into a Direct File referral — the reminder-to-file notice that we already discussed in Section 14.3.2?

We can envision a few options here:

- *A worksheet along the lines of the IRS CP09/CP27, or the Illinois ITR-61-EIC/EDA-131. The [CP09](#) and [CP27](#) are forms the IRS sends to filers who appear eligible for, but do not claim, the EITC; the [ITR-61-EIC/EDA-131](#) are a pair of forms the Illinois Department of Revenue sends to Illinois taxpayers who filed federal returns and claimed the EITC, but did not file an Illinois return (despite being categorically eligible for a state EITC equal to a percentage of their federal EITC). These notices tell the taxpayer they are likely eligible for a refund (federal EITC, or complete state refund including EITC, respectively), and contain some reflection of the taxpayer's data,¹² and a worksheet where taxpayers confirm a few key facts the tax agency cannot observe — regarding, for example, residency or immigration status.¹³*
 - In the case of the CP09 and CP27, taxpayers mail the forms back. In Illinois, taxpayers can mail the forms, or — critically — digitally send in a picture of the signed form. In principle, the Non-Filer Team could also create an online form taxpayers can use for confirmation of the form.

¹² In the CP-09/CP-27 and Illinois cases, the intervention is not proposing a new full draft return from whole cloth, and so need only represent information about the EITC itself. In the case of a full second-best return, the communication would have to somehow contain a representation of a full return, in a format more user-friendly than Form 1040.

¹³ Because both of these interventions are for taxpayers who have already filed a federal return, the taxpayer does not have to attest to not having additional unreported income.

- This intervention would differ from a full Direct File return in that it would probably only require taxpayers to confirm *some* facts, which the IRS considers most likely to be incorrect, or most likely to impact the refund amount. The worksheet would probably *not* confirm every single fact implied in the return; this would collapse into Direct File.
- The intervention would also differ from Direct File in that it would not require a taxpayer to go through online identity verification to access a pre-populated return. The worksheet can be mailed unencrypted with enough information for the taxpayer to take action; and even if they use an online form to confirm the worksheet, this could be done without clearing identity verification. Taxpayers could, for example, enter a unique code found on the mailing on an online portal in order to confirm the required facts, without getting the full sensitive data access that would necessitate full identity verification.
- Getting the design of the worksheet right is critical, and challenging. The worksheet would need to contain the vast majority of items that could cause an overpayment; it would be a bad outcome for a taxpayer to receive an overpayment and owe money back to the IRS when they didn't mis-answer anything on the worksheet. Meanwhile, though, past user research has revealed that many taxpayers — especially marginal taxpayers like this population — assume the IRS knows a lot about them, and would be hesitant to say 'no' to something if they understood the IRS to be telling them it was probably true. The phrasing probably matters a lot.
- *No worksheet or data sent in the mail, but the notice redirects the taxpayer to some similar function online.* This design has the advantage of not relying on snail mail, but has the disadvantage of relying more heavily on online identity verification. Moreover, the conceptual trouble with this design is that it is hard to picture what would distinguish it from traditional Direct File.
- *Draft return for illustration only.* As in the first option, the mailing contains a draft return (or representation of potential return information), but unlike the first option, the taxpayer cannot actually file this return in any way. Rather, it is shown for illustration, to make tangibly real the fact that there is probably a refund out there. But, to take action, the taxpayer has to go to Direct File.

A few additional considerations:

- There is good logistical and legal precedent for this whole exercise. The IRS already implements the Substitute for Return (SFR) program under [26 USC 6020](#), to automate returns for taxpayers who owe; this is, in many ways, just the SFR in reverse. The Non-Filer Team, indeed, may be able to learn important lessons from SFR. As noted above, there are also similarities to the extant CP09/CP27 program.
- The Non-Filer Team would probably be able to use the Direct File fact graph / tax logic engine to implement many of the calculations needed for any of these interventions.

- On one hand, access to easy amended return filing might appear to resolve contradictions at the core of this intervention. If taxpayers can easily file amendments to correct any mistakes on their automated return, perhaps the errors do not matter so much. It is true that better access to amended returns would help and is important, but it does not completely solve the problem. Consider the case where the taxpayer gets *too large* a refund via the automated return, and now owes money back to the IRS. It's not making that repayment easy that's the problem; it's that having to make a repayment is a bad experience per se.

Designing these interventions is an unavoidably awkward exercise, since every step more automated than Direct File inherently brings with it the increased risk of inaccuracy, but every step back toward “giving the taxpayers full functionality to review and edit” collapses the intervention back to Direct File. And more than anything else, it is the tenuousness of finding a non-Direct-File automated return intervention that makes this policy less of a slam dunk than reminder letters. If we take seriously the idea that Direct File is a fully pre-populated return, designed to be as easy as possible to file, there may not be realistic ways to make something *even easier*.

And this relates to one last warning about generalizing too far. While highly streamlined interactions (“filing taxes is just as easy as replying to a text!”) may be effective in these narrow contexts, their success should not be taken as evidence that fully automated returns are suitable as a comprehensive approach to tax filing. These second-best returns come with real downsides. Taxpayers will inevitably end up leaving non-negligible amounts of money on the table (far less than they would otherwise, but still money). Other taxpayers, despite the careful conservative targeting and despite the admonitions of uncertainty, will be promised a refund and end up owing taxes, or receiving far less than anticipated, and will have their trust damaged. These are inevitable downsides of trying to further automate a process that is based on information that the government does not have. Second-best returns are second best, and the goal must always be that they serve as a stopgap for a small population, bringing them back into the fold for full filing.

14.3.4 Collaboration with VITA

There could be a fruitful opportunity to involve VITA in the efforts of the Non-Filer Team.

For one thing, the timing of the work could be efficient. VITA's workload is heavily concentrated on the January to April period, with sites ramping way down or even closing completely outside the core filing season. By being able to turn during the second half of the year to non-filer activities, VITA sites may be able to operate more consistently throughout the year, and thereby make more efficient use of fixed resources (though the viability will depend on the site's logistics and funding).

Moreover, non-filers are by definition exactly those taxpayers with the most barriers, those most daunted by tax filing. It stands to reason that they would be some of the taxpayers who might most benefit from the hands-on service VITA can provide.

How exactly VITA could be involved with the Non-Filer Team’s interventions is to be determined. Perhaps the reminder notices discussed in Section 14.3.2 could include information about local sites where taxpayers could go for more hands-on assistance or the phone number of a local VITA site these taxpayers could call. Better yet, perhaps the IRS could work closely with the VITA site to somehow offer these taxpayers personalized appointments at a local site. Perhaps the IRS could share with sites more detailed analysis about the distribution and characteristics of non-filers in their catchment areas, to facilitate targeted outreach activities during this off-season. Perhaps there could even be ways to enlist VITA organizations in direct targeted outreach as agents of the IRS, though there are of course significant privacy issues that would need to be worked out for such an approach. The Non-Filer Team might partner with enterprising VITA sites to figure out the engagement models that work best, and listen to those sites as they explain what they would need to engage more non-filers.

Of course, all of this would rely on VITA sites being funded for this difficult work, rather than, as at present, being incentivized to run up their return counts during the regular season, as discussed in [Section 13.5](#).

14.4 Zero-income taxpayers and ‘simplified filing’

A term that has not yet appeared in this section is “simplified filing.” The term has come to mean different things to different people, but we define it in Section 14.4.1 as a parallel filing pathway for taxpayers with functionally zero income. The most prominent example of simplified filing was GetCTC, in 2021 and 2022.

We haven’t mentioned simplified filing because — in a world with fully pre-populated Direct File — we believe tax agencies in most cases should not pursue it, at least as a standalone product. The future of tax filing runs through making tax filing easier for everyone, not creating a hard-to-describe carve-out for a specific population, other than the second-best automated returns discussed above. If there is any large-scale future for “simplified filing,” it is in creating limited specific features within the context of Direct File, not creating a standalone product or overhauling the whole Direct File experience.

Section 14.4.1 defines simplified filing and its target audience. Section 14.4.2 explores what it would mean to offer simplified filing if the federal refundable CTC (or similar credits) were reinstated; Section 14.4.3 explores the role of simplified filing in a world with state, but not federal, refundable CTC. Section 14.4.4 discusses technical issues related to MeF and filing regulations.

14.4.1 What is simplified filing, and who are functional-zero-income taxpayers?

Simplified filing is a streamlined filing process for *functional-zero-income taxpayers* (defined below), in which taxpayers provide basic information and family structure, but do *not* report their income, or answer questions about the many complex provisions that can

come into play when a taxpayer has income. Taxpayers can use simplified filing only to access refundable credits that do not require any income information — for example, the fully refundable CTC in tax year 2021, and the Economic Impact Payments in tax year 2020 and 2021, both of which provided the same amount of money to every taxpayer without a filing requirement. The EITC and the CTC under current law are *not* examples of such credits, as the amount of those credits is an explicit function of a taxpayer’s earned income amount: taxpayers with \$500 of income get a different amount of credit than taxpayers with \$5,000 income.

Meanwhile, we define functional-zero-income taxpayers as people without a filing requirement,¹⁴ whose only refund comes from refundable credits that do not require income information. This is generally a subset of non-filers; not all non-filers are functional-zero-income taxpayers. In most cases, functional-zero-income taxpayers will have exactly zero *earned* income; if they were to have earned income, they would probably be eligible to claim EITC or excess W-2 withholding, or they might have a filing requirement due to self-employment income over \$400. Note, though, that some functional-zero-income taxpayers may not literally have \$0 in income. A taxpayer with zero earned income and \$10,000 in Social Security income is probably a functional-zero-income taxpayer, as we define it.

Under current law, there is no reason for functional-zero-income taxpayers to file *federal* returns — but there was in the recent past, and there could be in the future.

Functional-zero-income taxpayers are unique for a minor technical reason (see Section 14.4.4) but mainly because most of the complexity of a traditional return is not actually relevant to them:

- The precise amount of their income, whether it’s \$1 or \$10,000, is not relevant; it will be wiped out by the standard deduction amount, and it will not be used to calculate any credit eligibility. The entire income section of a return can be ignored without having any material impact. (Note again that a taxpayer with *earned* income would probably not be considered functional-zero-income, because they would probably be eligible to claim EITC or excess W-2 withholding.)
- Expanded subtractions or deductions due to, for example, blindness, are not relevant; the standard deduction already wipes out all income.
- Eligibility for more complex credits is irrelevant, since the taxpayers are categorically ineligible for these credits. (Remember we are talking about a population whose only refund comes from credits that do not require income.)
- Generally speaking, the complex distinctions between single and head-of-household filing statuses are not relevant, since the lower tax rates and different credit schedules do not apply.

¹⁴ Generally, this means that a tax unit earns below the standard deduction amount for their filing status (currently around \$16,000 single, \$32,000 married, and \$24,000 head of household), and has less than \$400 in self-employment income. There are other criteria that would occasion the requirement to file, but these are the principal thresholds.

14.4.2 Options to accommodate functional-zero-income taxpayers in a world of fully-refundable federal CTC

In tax year 2021, functional-zero-income taxpayers had important reasons to file federal returns — to claim expanded CTC, and EIPs (Economic Impact Payments, or commonly referred to as stimulus checks). **Let's suppose future law re-established the expanded CTC, or emergency payments like the EIPs, thus giving functional-zero-income taxpayers reason to file federally. What would be the right filing pathway for these taxpayers?** We can picture three options.

1. *Filing a full (nearly) normal return with Direct File.* Functional-zero-income taxpayers would complete Direct File basically as normal. Because they have little or no income, they would be able to skip large sections of the product — and the product team might design additional marginal affordances that ensure zero-income taxpayers can skip some additional questions they might otherwise have to answer, with clever deployment of fact graph logic. But, in the main, this would be a traditional Direct File return, and might be slightly more complex than necessary for a true zero-income taxpayer. Non-earned income below the filing threshold would still have to be reported.
2. *A specialized Direct File experience.* Within Direct File, taxpayers would elect up front whether they want a full or a simplified return. If they select the simplified return path, the filing experience would be meaningfully streamlined compared to option #1. The non-earned income below the filing threshold would *not* have to be reported. But, all Direct File users, including the ~99% who are not zero-income taxpayers, would have to choose up front which path to go down.
3. *Standalone (non-Direct-File) simplified filing product.* As in the case of GetCTC in 2021 and 2022, simplified filing could be provided in a standalone product. The product might borrow from Direct File, but it would be fundamentally a separate product with a separate codebase.

We believe option #1 — filing traditional Direct File returns — is the best of these options. Why?

- Some of the same dynamics we discussed in Section 14.1 apply here: it can be challenging to know if a simplified return is sufficient until the taxpayer actually starts filing. Confirming the simplified return is appropriate is a commensurate process to simply completing the full return. And, creating a two-tiered filing structure (via options #2 or #3) may be damaging in the longer run, as taxpayers get used to their second-tier filing status and struggle to transition to a categorically different return.
- Any version of option #2 is going to involve compromises for the 99% of Direct File users who are *not* functional-zero-income taxpayers. The sacrifices for the overwhelming majority may not be worth the marginal gain for the tiny fraction who may benefit from simplified filing.

- If we pursue option #3, getting taxpayers to the right service will be a serious challenge, and plenty of them will choose the wrong door. Introducing a detailed screener to ensure simplified filing taxpayers are in the right place would, again, be commensurate in difficulty to just completing #1. And an outreach campaign that points taxpayers to various different places — we learned extensively in 2021 and 2022 — is far less effective and harder to implement than a campaign that points to one. Indeed, when the outreach message is challenging, many would-be outreach partners throw up their hands and say they don't know enough to get involved in outreach.
- As discussed above, we are serious about the idea that Direct File can be a transformatively easy experience. We believe that a fully pre-populated Direct File will be nearly as easy as simplified filing. We would rather take this mandate seriously and commit to it, than divide attention across multiple projects.
- It would be plausible to offer a version of #2 or #3 during the second half of the year, as part of a non-filer campaign. But we think the more-automated interventions discussed in Section 14.3.3 are probably closer to the right approach.
- One advantage to #3 is that the simplified filing product could employ a lower level of identity verification. But we think it is again better to address the identity issue head-on, rather than generate a carveout that introduces its own challenges.

We concede, though, that reasonable actors could select #2 or #3. We recommend carefully analyzing how things proceed in any case:

- *If pursuing #1:* keep an eye on the user experience of functional-zero-income taxpayers as a key outcome of interest.
- *If pursuing #2:* approach this iteratively, as a set of features; and be careful not to inordinately damage the core experience for most filers. Keep a careful eye on how taxpayers choose which path to pursue, and if they are making the right choice.
- *If pursuing #3:* maintain as much consistency as practical across the products, and have an intentional strategy about how taxpayers get triaged into the right product, including redirecting taxpayers if it later becomes apparent they chose the wrong door. Such triage was a challenge in 2021.

14.4.3 Options to accommodate functional-zero-income taxpayers in a world with fully-refundable CTC only at the state level

Today, the considerations in Section 14.4.2 are moot at the federal level. There is no federal refundable CTC, or any other credit available to functional-zero-income taxpayers. But there are now many states with fully refundable CTC (including CA, CO, MN, MA, MD, NJ, NM, and NY, with more potentially on the way). In these states, functional-zero-income taxpayers can and should file state returns, even though there is no need to file federal returns.

For these taxpayers, one can imagine two different options:

1. Functional-zero-income taxpayers skip their federal return and proceed straight to a free, easy-to-use state filing tool. Given this specific use case, that state tool ought to be a “simplified” return; though there would remain open questions about how explicit the screener section of the tool should be.
2. Functional-zero-income taxpayers use federal Direct File and continue through to their state return like regular taxpayers, filing a federal return *even though there is no need to do so*.

In a world where Direct File exists, counterintuitive though it may seem, we believe functional-zero-income taxpayers should be encouraged to use federal Direct File as the gateway to their state return, even if there is no need for them to file the federal return it generates. There are a few reasons for this:

- Many of the reasons we argue against providing multiple alternate federal pathways in Section 14.4.2 still apply here: (1) Getting taxpayers to the right path would be quite challenging, and some will end up in the wrong place, leaving money on the table or winding up non-compliant, and navigating a comprehensive triage system would be commensurate to filing a return. (2) Taxpayers used to skipping their federal returns could get stuck in a second-tier system. (3) An outreach campaign that points different targets to vastly different services (federal versus state filing, in this case) is hard to implement.
- Despite the fact that routing through Direct File would require functional-zero-income taxpayers to answer some irrelevant federal questions, they could still on net have a better taxpayer experience. Standalone state simplified filing tools would have to recreate vast swaths of Direct File, including complex topics like determining dependents. It is likely Direct File would, on average, do a better job implementing these topics, given the relatively vast centralized resources it has at its disposal to serve a much larger population. (A thorough standalone state tool would have to create at a minimum 10-30 screens for a dependent flow, just for a few thousand total users.) More often than not, these user experiences as implemented in state tools would be worse.
- It is natural that a good, motivated state-level team would eventually want to expand its reach beyond just the relatively small share of functional-zero-income taxpayers getting state CTC. But any such expansion would genuinely run into conflict with federal filing for the rest of the population, who would not be well served skipping a federal return.

In a world, though, where Direct File does not exist, and where states do not know if or when it will return, it is reasonable that some states will pursue state-level simplified filing, to deliver value immediately. If states do this, we recommend:

- *Keep the scope tight.* Remember that *most* people don’t need standalone state returns; CTC-eligible functional-zero-income taxpayers comprise a very small population.

- *Be careful with the promotion of this tool so it does not conflict with standard tax filing.* Given there are so many more *normal* tax filers than functional-zero-income taxpayers, overpromoting the simplified filing tool could do more harm than good. Suppose 1% of would-be filers are functional-zero-income; and suppose further that 50% of functional-zero-income taxpayers use simplified filing, and that only 1% of normal filers erroneously use it. These would be excellent conversion and false positive rates. But even in this world, two thirds of the simplified filers would be the wrong users. It is not hard, in other words, for large portions of the user base to wind up being the wrong taxpayers.
- *Consider building special reject rules that reject returns from taxpayers who shouldn't — or likely shouldn't — be using simplified filing.* For example, states could reject simplified returns from any taxpayer with a W-2 (recall that most taxpayers with earned income are eligible for EITC, and therefore not functional-zero-income filers, as we define it), any taxpayer with 1099-NEC income totaling over \$400, or any taxpayer who has claimed EITC in each of the last several years. These taxpayers could be required to go back to full filing.

14.4.4 Technical considerations: MeF rules and revenue procedures

Any solution entailing a functional-zero-income taxpayer using Direct File requires one small but important change to MeF: literally accepting these returns at all. At present, MeF rejects returns with \$0 in income and \$0 in refund. This was even true during the simplified filing era of 2020 and 2021, when the [simplified filing procedures](#) instructed filers to enter \$1 in taxable interest income to get around the programming issue. This process works, but it's ultimately a workaround, and MeF rules should just be adjusted.

And indeed, the IRS has already loosened similar rules in other contexts. For TY24 and beyond, the IRS accepts returns with no taxable income if the return contains a non-zero amount of (non-taxable) Social Security income. This exception was added to meet the expectations and needs of retirees, and provides a precedent for additional flexibility to achieve specific policy goals.

In addition to the MeF change, certain simplified filing options in Section 14.4.2 would require a Revenue Procedure akin to the pandemic-era policies (Rev Procs [2020-28](#), [2021-24](#), and [2022-12](#)). Recall from Section 14.4.1 that functional-zero-income taxpayers may not literally have \$0 in income; it is simply that their income is irrelevant to their taxes. The Revenue Procedure would explicitly permit these functional-zero-income taxpayers (as defined above) to report \$0 in income, even if they in fact had non-zero income. A slightly more complex version of this Revenue Procedure — with some of the boundaries defined by state revenue departments — would be needed to accommodate option #2 in Section 14.4.3 (functional-zero-income taxpayers use federal Direct File en route to their state returns).

14.5 Non-Filer Teams at the state level

The above analysis primarily concerns the issue of federal non-filers, and, in Section 14.2, a federal Non-Filer Team to bring them into the fold.

Would it be productive for states to launch their own non-filer programs, akin to the programs administered at the federal level? We think the answer is probably yes, for a few reasons:

- **State Non-Filer Teams can address the novel population of federal filers who do not file state returns**, who are left untouched by a federal Non-Filer Team.
- **State Non-Filer Teams could make progress launching and experimenting in a period of federal inaction.** Although a non-filer program would be more effective at the federal level, state teams are well-positioned enough to begin having some impact and drawing some lessons now.

A state Non-Filer Team would be similar to the federal one discussed above, with a few differences.

14.5.1 Target populations and calls to action

Unlike a federal team, there are two unique populations a state Non-Filer Team could target: taxpayers who have filed neither federal nor state returns (which we call “dual non-filers”), and taxpayers who have filed federal but not state returns (which we call “state-only-non-filers”).

Addressing the dual non-filers is basically analogous to the federal analysis above. Notably, where possible, **we think that a state Non-Filer Team targeting dual non-filers should encourage taxpayers to file a federal return first.** While state revenue departments may see this as out of their lane, most taxpayers have more federal than state refund on the table, and it would not serve those taxpayers well to encourage them to skip their federal returns. Moreover, many states’ state filing processes explicitly or implicitly require taxpayers to start with a federal return, anyway.

The population of state-only-non-filers, meanwhile, may be quite large: informal estimates by state revenue departments have put this figure at 3-5% of federal filers in any given state. Addressing this population is very different. For one thing, the call to action here is to file a state return; the federal return has already been filed. But many states may not have standalone state filing tools, either in a world without Direct File at all, or in a world where state filing has been more tightly incorporated into Direct File. **Moreover, there is far more information available on a state-only-non-filer than a dual non-filer.** The taxpayer has already confirmed their total income and their family structure on their full traditional federal return. The number of unknowns related to state-specific provisions is much lower than the number of unknowns for an unfiled federal return. Both of these considerations militate in favor of **revenue departments making much more generous use of the second-best automated returns discussed in Section 14.3.3 when addressing**

state-only-non-filers. Given how much is already known about these taxpayers, these second-best returns are likely to be very accurate. This is in fact what Illinois did in implementing the [ITR-61-EIC/EDA-131](#) program discussed above.

State teams implementing programs for state-only-non-filers may also be increasingly critical in a world where a federal Non-Filer Team widely implements automated second-best returns for federal non-filers. It is unlikely that those second-best returns will be able to accommodate state returns, meaning the federal team would create a new population of state-only-non-filers, which the state team would need to address — hopefully in collaboration with the IRS.

14.5.2 Timeline of data availability and restrictions on data use

State revenue departments receive a full roster of federal tax returns filed by taxpayers in their state from the IRS, which would allow states to differentiate the dual non-filers and state-only-not-filers, and to use federal return data to implement interventions for the latter. This data is critical to the state Non-Filer Team; it would be impractical to implement non-filer interventions without knowing which non-filers are which. The states do not, however, receive this data until relatively late in the year. In general, they receive data from TY2024 returns in November or December 2025, and there is not really enough time between that data availability and the start of the next filing season to run a robust non-filer program. **So realistically, states would have to run their non-filer programs at a one-year lag; in August 2026, a federal Non-Filer Team would be working on TY2025 non-filers, but a state team would be working only on TY2024 non-filers.** However, it is possible that a modernized IRS could reduce this data sharing lag in the future.

There are also legal and information security issues related to the use of federal return data to run state non-filer programs. The data that the IRS provides to state tax departments in this manner is Federal Tax Information (FTI), meaning the IRS puts strong restrictions on its storage and management under Publication 1075. These restrictions can make it prohibitively difficult for some state agencies to manage and use the data. Explicit or implicit disclosures of the data to taxpayers in the implementation of non-filer programs, meanwhile, could carry taxpayer data implications under 26 USC 6103. States would have to work carefully and likely in collaboration with the IRS to use this data effectively.

14.5.3 Collaborations with other state agencies in the non-filer context

State Non-Filer Teams could also make use of collaborations with safety net benefit agencies, or even public schools, administered as they both are at the state or local level. Such collaborations might open up possibilities not available to a federal Non-Filer Team.