

Direct File: A Successful Step Towards Free, Fair Tax Filing for All

American taxpayers know all too well that the tax filing system is broken. It's too complicated, too time-consuming, and too expensive to prepare, leaving millions of taxpayers feeling like they have no choice but to pay hundreds of dollars just to file their taxes. Those who can't afford steep preparer fees often forgo filing altogether and miss out on valuable tax credits. This year, thanks to the Inflation Reduction Act, the Internal Revenue Service (IRS) has made important changes to simplify the filing process and ensure taxpayers receive the credits they are owed. In the past year alone, the IRS has dramatically [improved customer service](#), significantly cutting wait times from 28 to just three minutes, extending in-person hours, and more.

The agency also used this critical funding to launch the Direct File pilot program in 12 states. The pilot empowered taxpayers with simple returns to file safely and securely online, directly with the IRS for free for the first time in history. The program attracted overwhelming public support from the beginning with [over 4 in 5 Americans backing an IRS-led free filing option](#). **The main goal of this year's pilot was to ensure that the technology and user experience worked well, and it passed that test with flying colors. The pilot's phased rollout, which is [in line with tech industry best practices](#), turned the page on the government tech meltdowns of the past by delivering a stable user-friendly tax filing option that met taxpayers where they are with a mobile-first bilingual tool. Taxpayers were shocked that they could so easily chat with a real person to get questions answered.**

The tens of thousands of people who used Direct File in 2024 raved about it, saying it saved them time, money, and stress. One user said, "[Direct File] was the fastest I've ever done my taxes. I wish everyone could do their taxes that easily." Lawmakers and tax experts celebrated the pilot's success and highlighted how expanding the scope would turbocharge the benefits for hard-working Americans. Taxpayers are eager to use Direct File, with [more than 3 in 4 Americans saying they would like to try the program](#).

The public demand for Direct File and the success of this year's pilot are shining examples of how government can – and should – work for the people, not wealthy corporations. This year's iterative scaled pilot proved that an easier, fairer, and free filing system is possible. **Making Direct File permanent, expanding its scope and eligibility, and prepopulating taxpayer data will turbocharge the benefits tens of thousands of taxpayers experienced this year.**

The current tax filing system is broken.

The current tax filing system is not working for taxpayers. A civic responsibility that should be free and simple is instead an expensive, complicated, and time-consuming annual headache for taxpayers. Americans spend an [estimated 9 hours and \\$150](#) doing their taxes each year. Years of lobbying by wealthy corporations have resulted in an increasingly complicated tax code, which the tax prep industry has exploited to its benefit, positioning itself as a necessary solution to an unnecessary problem that it helped manufacture.

Taxpayers deserve better.

Tax Prep Companies Have a Long Track Record of Bad Behavior, Putting Their Profits over People

Since the [1980s](#), presidents and lawmakers on both sides of the aisle have made promises to create a government-run tax filing system to make it easier and less expensive for Americans to file their taxes. So why are Americans still shelling out their hard-earned money and time just to file their taxes some forty years later? It's simple: For-profit tax preparation companies have used every tool in their arsenal to protect their profits and ensure the tax filing system remains complicated and expensive.

Tax preparers led by Intuit [lobbied Congress and the administration](#) to block free electronic tax filing. After being [put on notice](#) by President George W. Bush, Intuit offered the government an ultimatum in a last-ditch effort to maintain their dominance: They would build a free filing platform for low-income Americans if the government agreed to stay out of the tax prep business.

The creation of this so-called "Free File Alliance" in 2003 ostensibly offered free electronic filing to 60 percent of taxpayers and promised free tax preparation that would cost the government almost nothing. As more people learned about Free File, more people opted to file for free and Intuit viewed this as a potentially existential threat.

[Behind the scenes](#), Intuit worked with other tax preparation companies to limit the availability of free filing. While their agreement with the government [required](#) them to *offer* free tax filing to taxpayers, that didn't mean they were required to *actually provide* free tax filing. They cut corners by charging taxpayers for other products during the tax filing process and made sure their paid products were front and center while the free alternative was difficult to find.

To slow the spread of Free File and protect their bottom line, Intuit pushed Congress and the IRS to [institute](#) rules barring taxpayers earning over \$50,000 from using the program. Use of the Free File program [declined immediately](#), leaving taxpayers with limited free filing options. In 2007, Intuit began offering its own commercial "free" filing, distinct from the IRS Free File Alliance. Using [deceptive tactics](#), these "free" products pushed taxpayers to paid products while hiding the IRS' own Free File option from eligible taxpayers. In 2019, Intuit nearly succeeded in convincing Congress to enshrine Free File in statute, permanently banning the nation's tax administration from getting involved in administering the tax filing system. Thankfully, [reporting from ProPublica](#) exposed this provision and the outrage that ensued forced lawmakers to strip it from the final legislation.

ProPublica's reporting also spurred an [investigation](#) into Intuit's practices by state attorneys general, which led to a \$141 million settlement to be paid out to roughly 4.4 million taxpayers for deceptive marketing practices. Earlier this year, the Federal Trade Commission (FTC) [barred Intuit](#) from advertising services as "free" when many consumers were ineligible. Intuit isn't the only player doing this – the FTC [also slapped H&R Block](#) for the same predatory practice of falsely marketing certain services as "free."

Time and time again these corporations have exploited the broken filing system that they helped create to capitalize on taxpayers' confusion. Under the current system, private tax preparers make nearly [\\$14 billion](#) a year off of American taxpayers. [Nearly half](#) of those fees flow to only two large corporations: Intuit and H&R Block. According to the IRS, every year [more than half of tax returns](#) are prepared by paid private tax preparers, including very simple returns that should take mere minutes and could be free.

Unsurprisingly, these companies are also [major funders](#) of the lobbying efforts to prevent the IRS from providing free filing services. As the IRS built out the Direct File pilot in 2023, tax preparation companies responded with record lobbying efforts. Intuit set a new company record for federal lobbying in 2023, [spending nearly \\$3.8 million](#). H&R Block spent over [\\$3 million](#) on federal lobbying in 2023 with \$790,000 in the fourth quarter alone. These private corporations are fully aware of what a government-run tax filing system will do to their profits and are committing record amounts of money to prevent taxpayers from having the choice to file for free and directly with the IRS.

Tax Preparers' Predatory Behavior Disproportionately Harms Communities of Color & Low-Income Families

It's clear that corporations have fought relentlessly to keep the tax filing system complicated and expensive. While the current filing system is not working for Americans writ large, communities of color and low-income families are disproportionately harmed by the status quo. The high financial, time, and mental cost of filing taxes magnifies existing systemic challenges.

In the current filing landscape, there are two types of tax preparers: enrolled and unenrolled agents. Enrolled preparers are [subject to standards](#) issued by the Department of Treasury, while unenrolled preparers are not. Unenrolled preparers lack proper training in tax rules and [regularly commit](#) both intentional and unintentional errors on tax returns. Studies – conducted both by the government and nonprofit organizations – show a [high error rate](#) for returns filed for people who receive the Earned Income Tax Credit (EITC). Most notably, a study from the Government Accountability Office (GAO) found a staggering error rate of [94 percent](#) for returns filed on behalf of EITC beneficiaries. Despite these eye-popping error rates, many of these preparers continue filing returns on behalf of taxpayers. In fact, for the 2021 tax year, [over half of the almost 80 million](#) individual income tax returns filed by paid preparers used unenrolled preparers, demonstrating just how pervasive these errors are on taxpayers' returns.

Unenrolled tax preparers, which often operate in chain storefront tax preparers like H&R Block, Liberty Tax, or Jackson Hewitt, are overly concentrated in low-income and Black and Brown communities. This is apparent when looking at the number of storefront preparers in areas with higher numbers of EITC recipients, which is a key poverty-reducing tax credit.

[New analysis](#) from Color of Change and Better IRS found that counties with more Black taxpayers and EITC claimants have 7 percent more Liberty Tax and 14 percent more Jackson Hewitt locations. Counties with more Hispanic taxpayers and EITC claimants have 11 percent more Liberty Tax locations, 8 percent more Jackson Hewitt locations, and 5 percent more H&R Block locations.

There are significant consequences to these shady tax preparers preying on low-income and communities of color. The EITC is a [highly effective anti-poverty tool](#) that helps families afford necessary expenses, supports and encourages work, and bolsters the overall economy. The tax credit uplifts communities of color who are disproportionately concentrated in low-wage jobs as a result of systemic exclusion. When errors persist on EITC beneficiaries' returns, it stifles our economy, robs working families, and worsens the racial wealth gap, forcing lower-income families to deal with the consequences of inaccurate returns. It's time people had a reliable, easy, and free tax filing system to get the tax credits they deserve to benefit their families and the economy.

Direct File Offers Taxpayers the Reliability They Want, While Tax Prep Companies Capitalize on Late Filers

For the first time, Americans had the option to file for free, directly with the IRS regardless of whether they chose to file earlier in tax season or closer to the deadline. This is a gamechanger. **Forcing customers to pay more money closer to the filing deadline is [common industry practice](#) and is another example of how dynamic pricing results in hard-working Americans paying more when they may not even realize it.**

Luckily, many Americans had the option to file for free directly with the IRS instead of paying a third-party service provider. After having a taste of what is possible, it is safe to say that public demand for Direct File will only continue to grow.

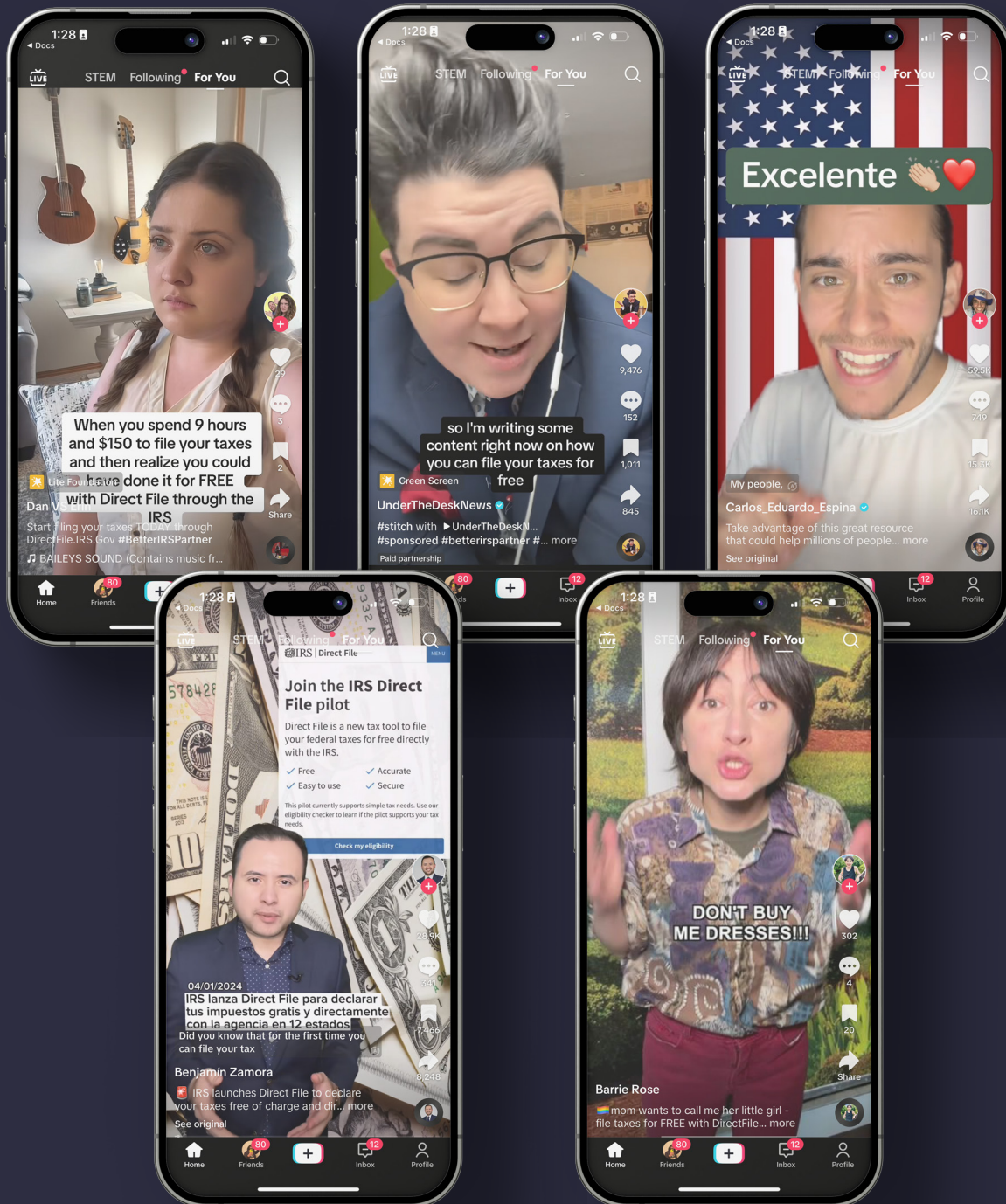
Taxpayers are Fed Up with the Broken Filing System and Want Something Different

[Poll after poll](#) shows that an [overwhelming and growing majority support Direct File](#), with support actually [increasing by 10 points](#) from April to September of last year, and [more than 3 in 4 people](#) reported they would likely try the tool.

This growing public desire for an easier, free filing option continued after this year's Direct File pilot program was announced in 12 states. A February 2024 survey of four pilot states (Arizona, Florida, New York, and Texas) found that [over 90 percent of taxpayers in those states supported a Direct File tool](#). Support for the tool held across race, income, ideology, and party affiliation. The majority of respondents also said they would likely use such a tool, and that they supported the IRS making the tax filing process easier and fairer.

This excitement was palpable in the news and online, where tax season is typically marked by people complaining about the cumbersome process and wishing for a simpler, free filing option. Across the country, there was a spat of opinion pieces highlighting the benefits of Direct File from [academics](#), [community organizers](#), [public officials](#), and more.

On social media, there were a slew of content creators calling out the broken tax system and encouraged their followers to check out the new Direct File program. A TikTok [calling out](#) the ridiculousness of paying a company to help you fulfill your civic duty to helpful tips received over a million views. There are dozens of videos in English and Spanish talking about how Direct File could save people time, money, and unnecessary stress.



Leaders heard this call for change and have been fighting to improve the filing system for their constituents.

Last fall, over one hundred tax and economic experts from across the country signed an [open letter](#) in support of Direct File and urged the IRS to expand the program if the pilot was successful. These experts highlighted how the current filing system puts too great of a burden on individual taxpayers, which disproportionately harms low-income communities and communities of color.

“If the program proves successful — and we think it will — the program can expand to serve taxpayers with additional types of incomes or who are eligible for a greater variety of deductions. The program could also expand to include optional elements of data automation and pre-population.”

Further, hundreds of local, state, and federal public officials have expressed their excitement for the tool and are pushing for expansion. In June, [99 senators and members of Congress sent a letter](#) to IRS Commissioner Daniel Werfel and Deputy Secretary of the Department of Treasury Adewale Adeyemo in support of Direct File. [16 State Attorneys General followed suit in November, sending a letter](#) to Treasury Secretary Janet Yellen emphasizing how Direct File would be “essential to give taxpayers as many options as possible to quickly, easily and reliably file their returns.”

The government is uniquely qualified to offer an easier, free way for taxpayers to file.

While the for-profit tax prep industry tried to sow doubt about the government’s ability to tackle the technological needs of a direct, e-file program, tech experts highlighted the government’s vast capabilities – and successes – in implementing technology to improve public services. **One of the biggest advantages to a government-run tax filing system is the ability to pre-populate information, which would be a game-changer for users.** As part of the pilot program, the IRS has already started testing the capability to pre-populate data in Direct File and has been successful.

Eddie Hartwig, who has advised three U.S. presidential administrations on technology best practices and served as the deputy administrator at the United States Digital Service from 2017 to 2022, highlighted this in an [op-ed](#) and laid out why the government is uniquely qualified to tackle something like Direct File. Hartwig wrote:

“Executive orders on equity and customer service as well as accessibility, privacy and security laws ensure that all members of the public are able to safely access new digital services in language they can understand while respecting their privacy. Public comment requirements and transparency laws hold the government accountable. In the end, the government delivers products with a level of care that the private sector often overlooks. The results may be less flashy than commercial software, but they succeed and they work for everyone.

Higher standards are why we should trust the government to deliver our most critical online services.”

This year's pilot proves Direct File can fix our filing system

The Direct File pilot was a direct response to the public demand for an easier, secure, and free filing option that removed middlemen from the process. The tens of thousands of people who used Direct File in its pilot year raved that Direct File had lived up to its potential, making the tax filing process easier, more accessible, and more dignified — and saving them lots of money.

[W. Drew Bertland](#), 60, has used a range of tax-prep software over the years. It took him less than an hour to finish his return using Direct File. Bertland said, "It was the fastest I've ever done my taxes. I wish everyone could do their taxes that easily."

Monica Shope, a teacher from Oakland, California said she scheduled a full day to do her federal income taxes but only needed 15 minutes with Direct File. After filing, she felt confident that her taxes were totally correct — more confident than she has after previous times she's filed taxes. After several years of filing her returns through TurboTax, and paying around \$60 each time she was excited about not having to pay.

Marina Garcia from Texas also raved about her experience with Direct File: "This is finally something that was designed directly for the community." She noted that it's not hard to find low-income taxpayers paying far more than they can afford for someone to do their taxes. She [recalls](#) the hundreds of dollars her immigrant father shelled out every year at commercial tax prep offices that pop up next to Mexican grocery stores in Texas every spring. "If it sticks around for the rest of my working life, I am doing business directly with the IRS. I don't have to go to a third party. I don't have to pay. It's straightforward. It's easy-peasy," she says.

Dixie Warden from Kyle, Texas was the very first Direct File user and complimented the tool for how easy it was to navigate. "The way that it was laid out was just so darn easy to understand and I just see it being helpful for so many millions of people," she [said](#).

Members of Congress as well as economic justice and civil rights leaders celebrated the Direct File pilot's success:

Senator Elizabeth Warren has been a major champion for Direct File. When the pilot launched, she [said](#): "For years, giant tax prep companies like TurboTax and H&R Block have gamed the system to make millions by taking a bite out of refunds and monetizing personal information. The IRS Direct File is an example of how the Biden administration is cutting junk fees and making government work better for working people." Most recently, she [partnered with comedian Hasan Minhaj](#) to raise awareness of the new tool.

Rep. Salud Carbajal (CA-24) urged his eligible constituents to use the tool, [saying](#), "In our digital age, it is unacceptable that it has taken this long to create a modern pathway for the most basic and often stressful interaction that citizens have with their federal government. My colleagues and I voted to close that digital gap in our nation's services by creating this free and easy-to-use filing tool."

Florida Reps. Maxwell Frost and Darren Soto are [encouraging their constituents to try out the tool as well](#). Said Rep. Soto: “The average savings for Floridians will be about \$270, and all this was made possible through the leadership of President Biden and House Democrats. We’re excited that Florida made the cut and is one of 12 states that are going to get this.”

Civil rights organizations, from the [NAACP](#) to [Color of Change](#) have been heralding Direct File as a major win for communities of color. Rashad Robinson, president of Color of Change, [said](#), “We urge the media to examine Intuit’s current lobbying against IRS Direct Free File in light of the decision by the FTC and we hope all eligible taxpayers will take advantage of free tax services instead of predatory tax companies.”

Numerous lawmakers have also held town hall meetings to educate their constituents about how they can benefit from Direct File, including [Rep. Pramila Jayapal](#) (WA-07) and [Rep. Alexandria Ocasio-Cortez](#) (NY-14).

Building Upon the Success of Direct File

The Direct File pilot was a test to see if the IRS could build a free and easy tax filing tool, and if Americans would like it. Beyond the shadow of a doubt, the answer is yes. The IRS has delivered a tool that delighted taxpayers, and finally filled an enormous long-running gap in the tax filing system.

The IRS was right to take a cautious approach, and ensure a pilot was successful before making long-term commitments. Now that the pilot was indisputably successful, it is time to make Direct File a permanent fixture of American tax administration. And as Direct File matures into a long-term program, it can become even better:

- **Direct File can expand to more tax situations and more [states](#).** The IRS must continue to expand the scope of Direct File, continuing to prioritize the tax situations of low-income filers, and ensuring states have everything they need to integrate with the federal system. Now that taxpayers have seen what Direct File can do, those left out are clamoring to be included. Online posts about Direct File came to be peppered with comments [like](#) “Not in my state, I want it” [and](#) “Please use Direct File if you can and it will expand to more states.” In coming years, Direct File can – and should – scale to cover most low- and middle-income filers across the country.

Video Comments on TikTok



Sweet Potato Gelato
Not in my state. I WANT IT
3-31 3 Reply



Kt
Please use direct file if you can and it will expand to more states. I couldn't use it because I don't apply yet but I will when I do. Also vote blue

- **Direct File can get even easier to use.** As the [IRS Direct File report to Congress](#) documented last year, taxpayers expect an IRS-run tool will not require them to input data the IRS already has. When Direct File pre-populates taxpayers' basic information and income statements, requiring filers just to confirm their data rather than entering it from scratch, it will truly transform the filing process. Secretary Yellen [has already indicated](#) pre-population would be a natural next step for Direct File; and Direct File [began pre-populating in earnest this year](#), with the automation of prior-year annual gross income. Pre-population isn't just a future pipe dream: it's happening starting right now. And, as Secretary Yellen said in a Senate Finance hearing last month, adding more of it is the natural next step if this program continues. Expanding pre-population will make a great product even better.
- **Opening at the start of the tax season will supercharge Direct File's impact starting next year.** The [phased rollout](#) of this year's pilot was necessary to ensure that the technology and user experience were successful. With a solid foundation now in place, Direct File can launch at the start of tax season starting next year and its impact will increase dramatically.

While tax preparation companies may fear how a free and easy government-run service could impact their large profits, the government exists to serve the people – not corporate interests. In the face of these lobbying efforts to block Direct File and undermine the IRS, lawmakers must remain steadfast in their commitment to fully funding the agency so that it is able to meet the needs of American taxpayers.