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IRS Direct File: PRA Submission

Prepared December 1, 2023

Introduction

As directed by Congress in §10301(1)(B) of the Inflation Reduction Act, the IRS conducted a feasibility study of an IRS-run free direct e-file tax return system (Direct File). The full report along with the independent third-party analysis was provided to Congress on May 16, 2023. With the release of the report, the U.S. Department of Treasury directed the IRS to pilot Direct File in the 2024 filing season.

Direct File is an online service from the IRS that provides taxpayers with the option of electronically filing their individual income tax return for free, directly with the IRS. Direct File is an interview-based self-preparation tool. Direct File guides taxpayers through the process of preparing a tax return, asking questions which the taxpayer can answer without needing to consult other instructions or IRS publications. These answers establish eligibility for various tax provisions, and allow the taxpayer to indicate their preferences about choices such as filing status or dependency claiming. Direct File uses these answers to correctly fill out the forms and schedules of a tax return, which the taxpayer can review and choose to electronically file.

Direct File is available in both English and Spanish.

In the 2024 filing season, Direct File supports the filing of Tax Year 2023 individual income tax returns for a limited subset of taxpayers. Eligibility to use Direct File is based on whether the taxpayer's situation allows for filing a complete and accurate return using only the supported tax provisions, and taxpayers who might benefit from non-supported tax provisions are encouraged to use other filing options. Should Direct File continue past the 2024 pilot, it is anticipated that the supported tax situations would grow over time.

Direct File does not replace existing forms and schedules; it is an option taxpayers can use to complete existing forms and schedules online, directly with the IRS. Taxpayers can continue to file both electronically and on paper through other means. Direct File assists taxpayers in preparing returns that include the following forms and schedules:

1) Form 1040: U.S. Individual Income Tax Return
2) Form 1040(SP): Declaración de Impuestos de los Estados Unidos Sobre los Ingresos Personales
3) Form 1040-SR: U.S. Tax Return for Seniors
4) Schedule 1 (Form 1040): Additional Income and Adjustments to Income
5) Schedule 8812 (Form 1040): Credits for Qualifying Children and Other Dependents
6) Schedule EIC (Form 1040): Earned Income Credit
7) Schedule LEP (Form 1040): Request for Change in Language Preference
8) Form 8862: Information To Claim Certain Credits After Disallowance
9) Form 9000: Alternative Media Preference

Outline

This document presents the interview questions and instructions that Direct File will ask of taxpayers. As an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return. For example, Direct File might ask a question to establish eligibility to claim a tax credit, but if the taxpayer is already ineligible for the credit due to another reason, the question would not be asked.

This document has two parts to illustrate the experience of Direct File in light of this dynamic filtering. Part I shows only the questions that would be asked of a specific, representative taxpayer. Questions that are not relevant to this hypothetical taxpayer's situation have been dynamically filtered out, and are not shown. Part II shows the the complete set of questions that Direct File might ask, grouped by the section in which they appear. However, due to dynamic filtering, no taxpayer would ever need to answer all of these questions in order to prepare a tax return using Direct File.

Direct File is designed using a "mobile-first" approach, ensuring that the tool works great on a phone or other mobile device. While Direct File can also be used on a desktop or laptop computer, screens are presented as they would appear on a phone.

Above each screen appears an internal name for identification purposes but is not shown to taxpayers.

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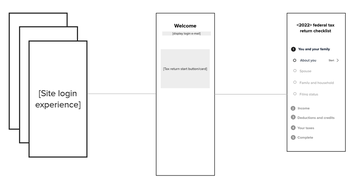
Part I: A Sample Taxpayer Flow

Overview

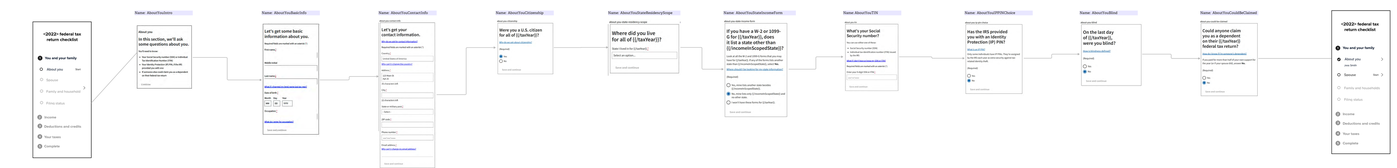
As an interactive, online tool, Direct File will only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return. Questions that are not relevant are dynamically filtered out.

This sample flow shows a set of questions that could be asked of a specific, representative taxpayer. This hypothetical taxpayer is single, using Head of Household filing status, has a single dependent (age 5), wage income, and will claim the Child Tax Credit and Earned Income Tax Credit. Questions that are not relevant to the hypothetical taxpayer's situation have been dynamically filtered out, and are not shown.

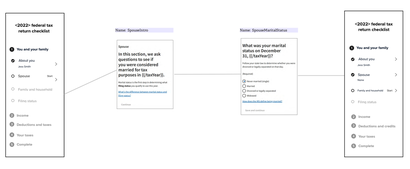
YOU AND YOUR FAMILY: GETTING STARTED



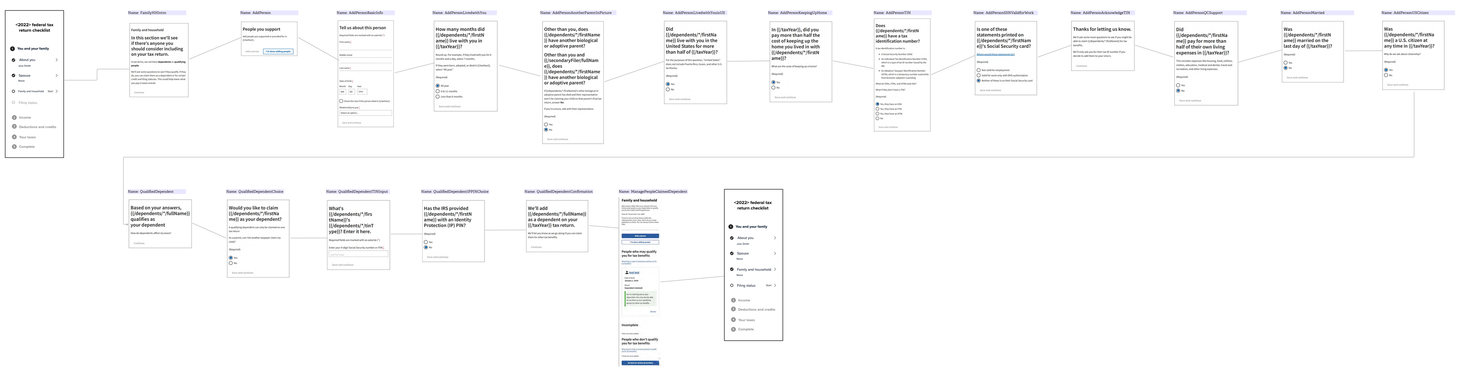
YOU AND YOUR FAMILY: ABOUT YOU



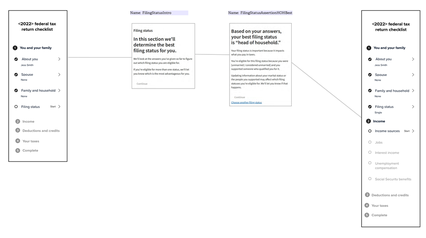
YOU AND YOUR FAMILY: SPOUSE



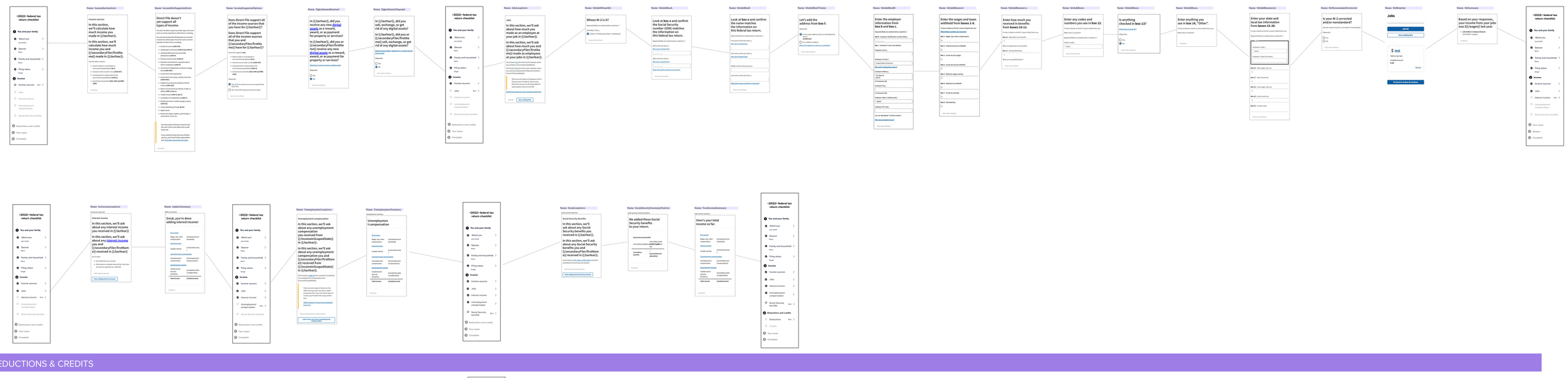
YOU AND YOUR FAMILY: FAMILY AND HOUSEHOLD



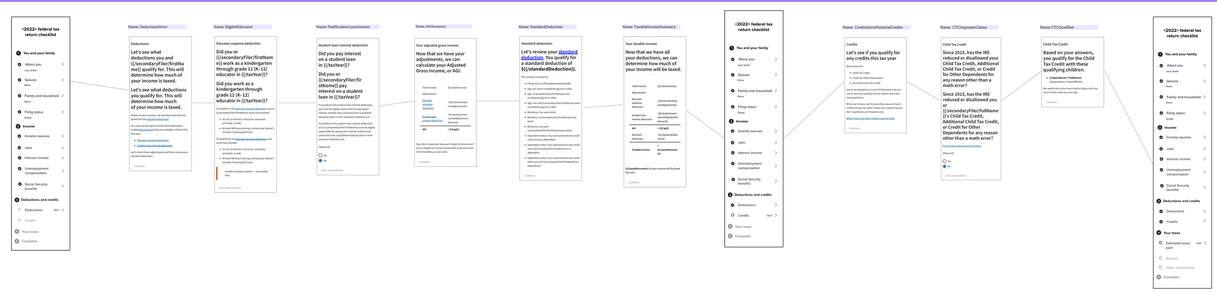
YOU AND YOUR FAMILY: FILING STATUS



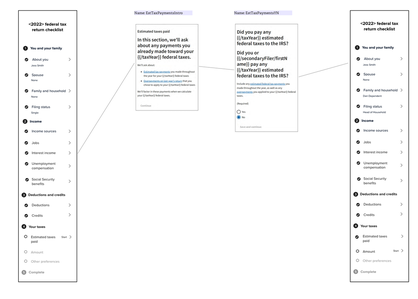
INCOME: INCOME SOURCES, JOBS, INTEREST INCOME, UNEMPLOYMENT COMPENSATION



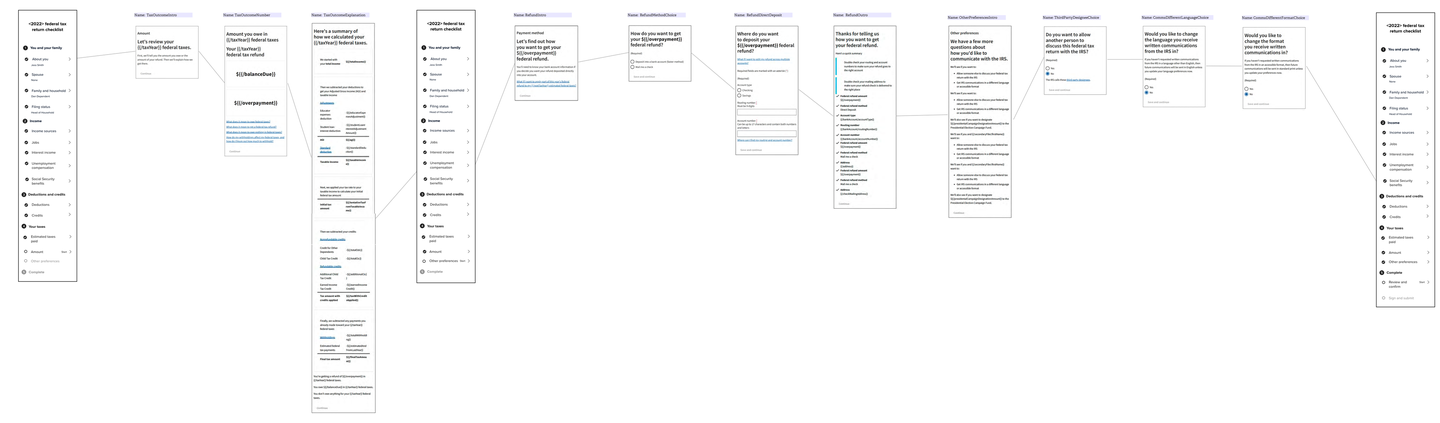
DEDUCTIONS & CREDITS



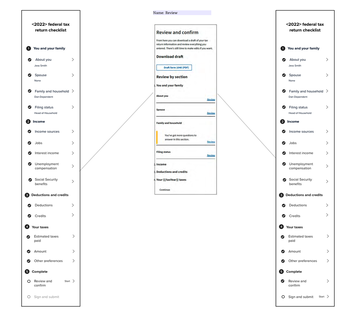
ESTIMATED TAX PAYMENTS



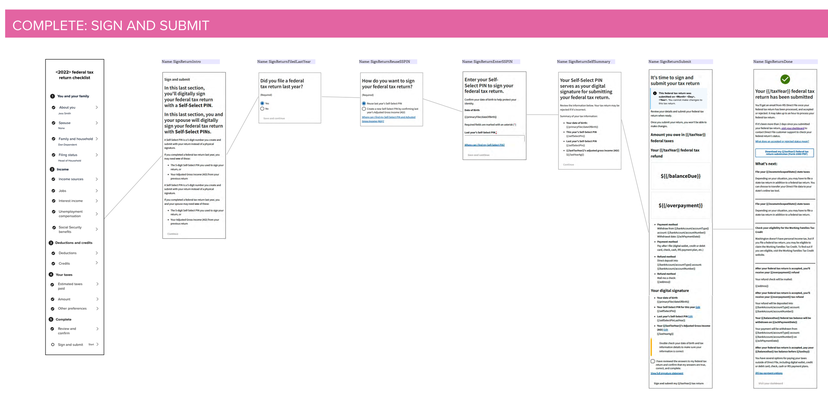
YOUR TAXES: ESTIMATED TAXES PAID, AMOUNT, PAYMENT METHOD, OTHER PREFERENCES



COMPLETE: REVIEW AND CONFIRM



COMPLETE: SIGN AND SUBMIT



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Part II: Complete Question Set | Chapter 00: Pre-screener

Chapter overview

Direct File supports the filing of Tax Year 2023 individual income tax returns for a limited subset of taxpayers. Eligibility to use Direct File is based on whether the taxpayer's situation allows for filing a complete and accurate return using only the supported tax provisions, and taxpayers who might benefit from non-supported tax provisions are encouraged to use other filing options.

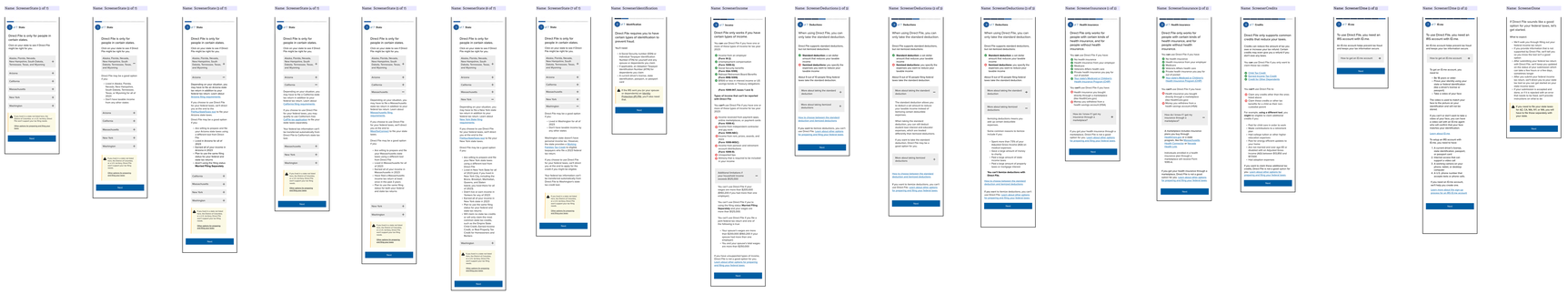
In order to help taxpayers determine whether they are eligible to use Direct File, and whether the tool fully supports their tax situation, taxpayers participating in the filing season 2024 pilot will be guided through a series of instructions and/or questions to establish whether Direct File is an option they can consider.

PRE-SCREENER: Draft screens

Narrative description

Prior to logging in, taxpayers establish whether they are eligible to use Direct File. This optional screener is for the taxpayer's information only, and answers are not collected by the IRS.

Screens



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Part II, Complete Question Set | Chapter 01: Getting started, about you and your family

Chapter overview

Information about you, your family, and your household affects many tax provisions, including filing status, the amount of the standard deduction, dependency claiming, and eligibility for various deductions and credits. Direct File asks these questions up front, and reuses the answers throughout the entire experience.

This page shows the complete set of questions that Direct File might ask, but as an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return.

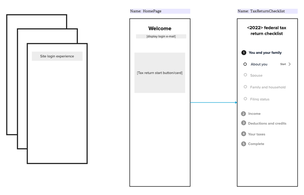
GETTING STARTED: Draft mock ups

Narrative description

After taxpayers start a new tax return, they are shown a checklist. They can return to this checklist to review their progress and see which sections have been completed.

Mock ups

Login, welcome, and navigation



ABOUT YOU AND YOUR FAMILY: Draft screens and mock ups

Narrative description

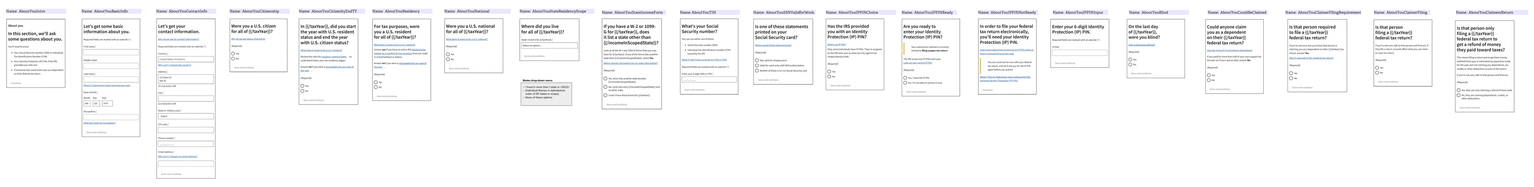
Taxpayers begin by answering questions about themselves and, if married, their spouse.

Direct File asks about members of the taxpayer's family and household who might qualify them for various tax provisions, even if the taxpayer does not claim them as a dependent.

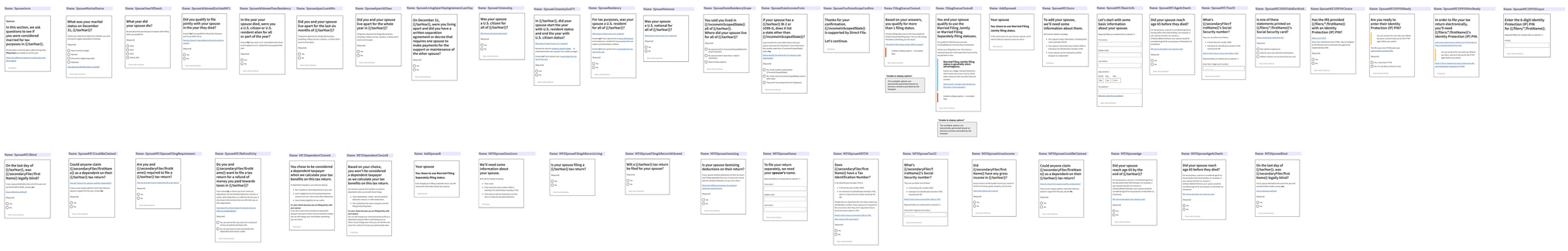
Using only this information, Direct File can determine the filing status(es) for which the taxpayer is eligible. The taxpayer selects their filing status before proceeding.

Screens + mock ups

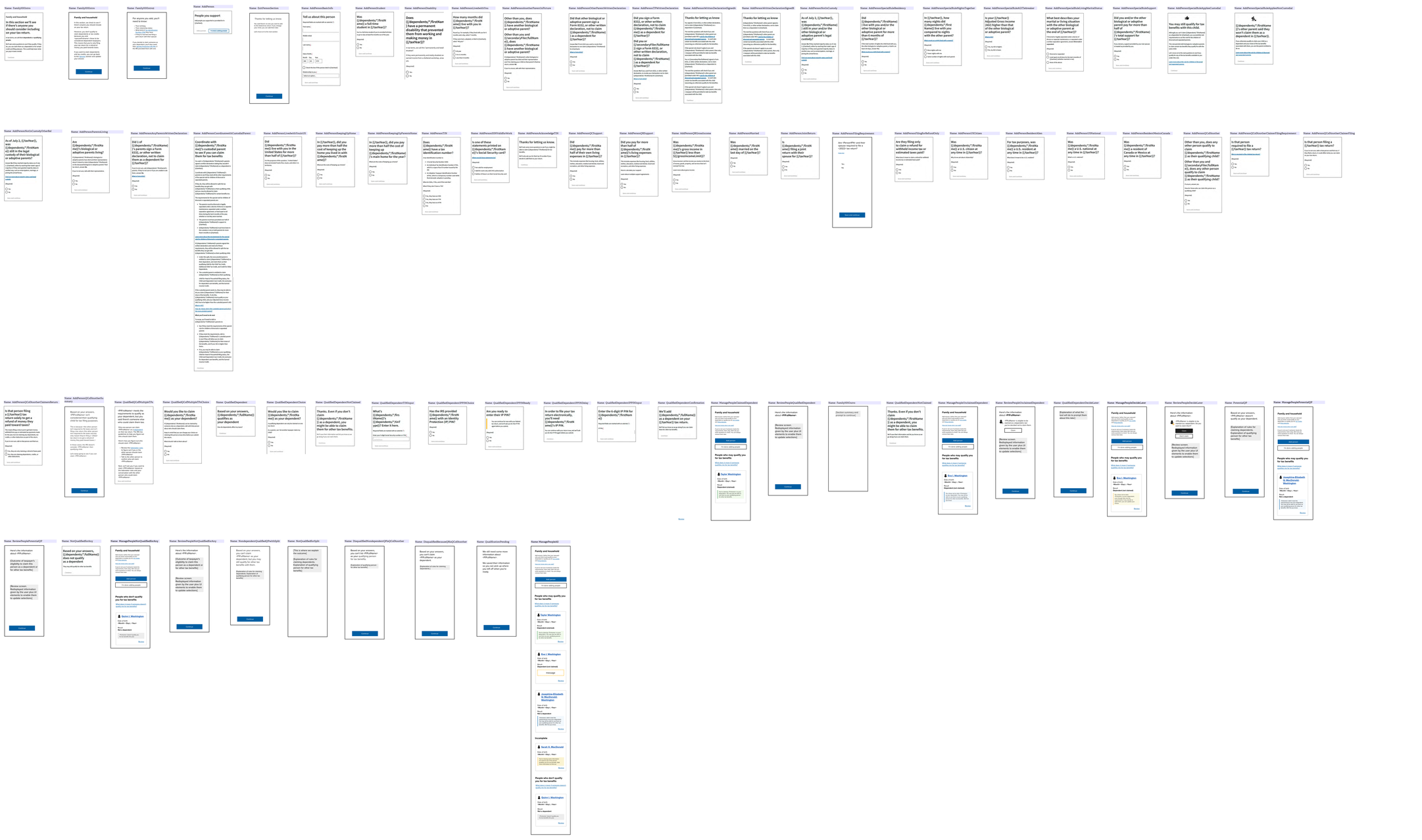
About you



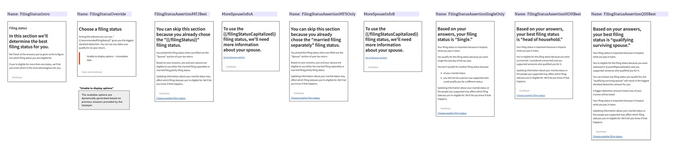
Spouse



Your family and household



Filing status



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Part II, Complete Question Set | Chapter 02: Income

Chapter overview

Direct File supports wages reported on a standard W-2, interest income less than $1,500, Social Security and Railroad Retirement benefits, and unemployment compensation. Taxpayers with other income are not eligible to use Direct File.

This page shows the complete set of questions that Direct File might ask, but as an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return.

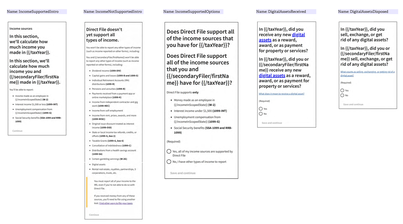
INCOME: Draft screens

Narrative description

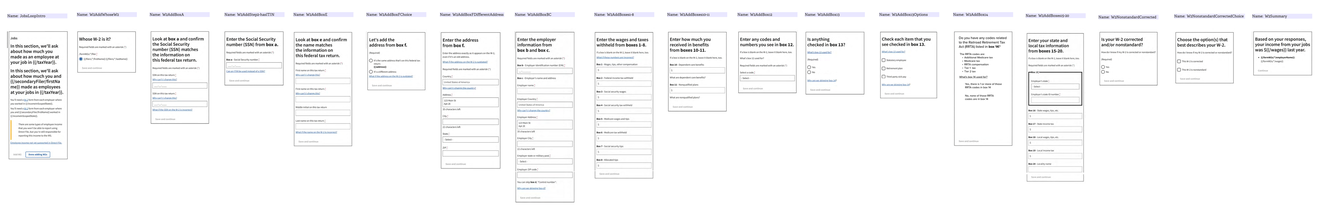
Next, taxpayers enter information about their income. This income might be reported to them on forms W-2, 1099-INT, SSA-1099, RRB-1099, or 1099-G.

Screens

Income sources

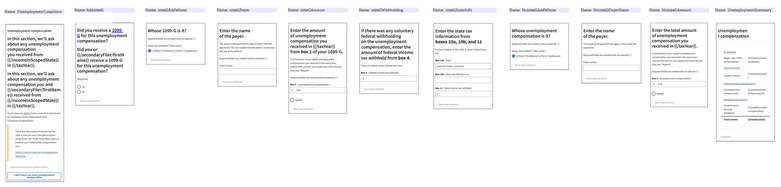


Jobs



Interest income

Unemployment compensation



Social Security benefits

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Part II, Complete Question Set | Chapter 03: Deduction and credits

Chapter overview

Direct File supports the standard deduction, adjustments for educator expenses and student loan interest, the Child Tax Credit (including the Additional Child Tax Credit), the Credit for Other Dependents, and the Earned Income Tax Credit. Itemized deductions are not supported.

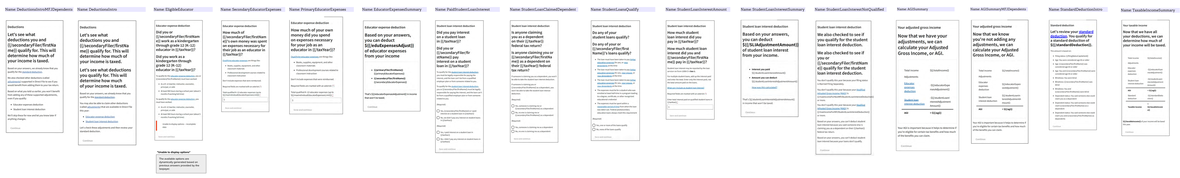
This page shows the complete set of questions that Direct File might ask, but as an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return.

DEDUCTIONS: Draft screens

Narrative description

Direct File helps taxpayers establish the amount of their standard deduction and whether they can claim any adjustments to income. With this information, Direct File can calculate the taxpayer's Adjusted Gross Income (AGI) and taxable income.

Screens

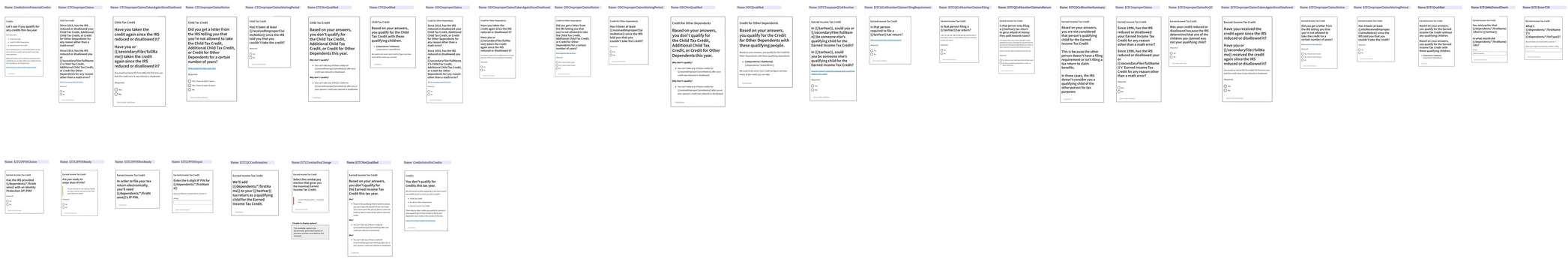


CREDITS: Draft screens

Narrative description

While much of the information necessary to establish eligibility for the supported tax credits was collected in the previous sections, if the taxpayer remains potentially eligible for a credit, Direct File might ask additional questions to confirm their eligibility. If the taxpayer is required to file Form 8862, Direct File will guide them through the additional information needed.

Screens



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Part II, Complete Question Set | Chapter 04: Your taxes

Chapter overview

If taxpayers are owed a refund, they can specify their preference to receive that refund via check or direct deposit. If taxpayers have a balance due, they can optionally schedule payment via direct debit, or pay later via other means.

This page shows the complete set of questions that Direct File might ask, but as an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return.

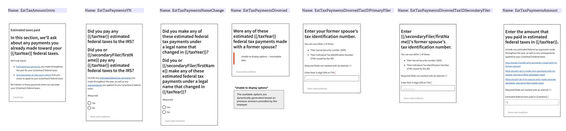
COMPLETE: Draft screens

Narrative description

Taxpayers will review the amount of their balance owed or refund due. They can specify the method by which they would like to receive their refund or make a payment. And they can update their preferences for communication with the IRS.

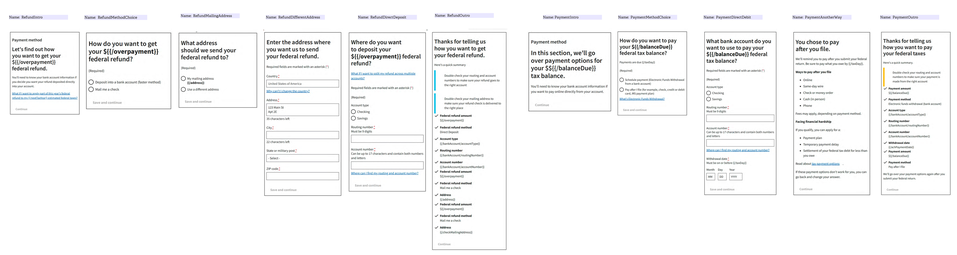
Screens

Estimated taxes paid

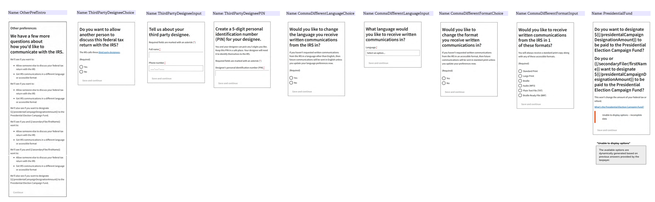


Amount

Payment method



Other preferences



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Part II, Complete Question Set | Chapter 05: Complete

Chapter overview

Once taxpayers enter all the required tax information, they can they can review and confirm their tax information, then sign and submit.

This page shows the complete set of questions that Direct File might ask, but as an interactive, online tool, Direct File will dynamically filter these questions to only ask questions that are potentially relevant to a given taxpayer. A relevant question is one that could result in a change to what is entered on a form or schedule of the tax return.

COMPLETE: Draft screens

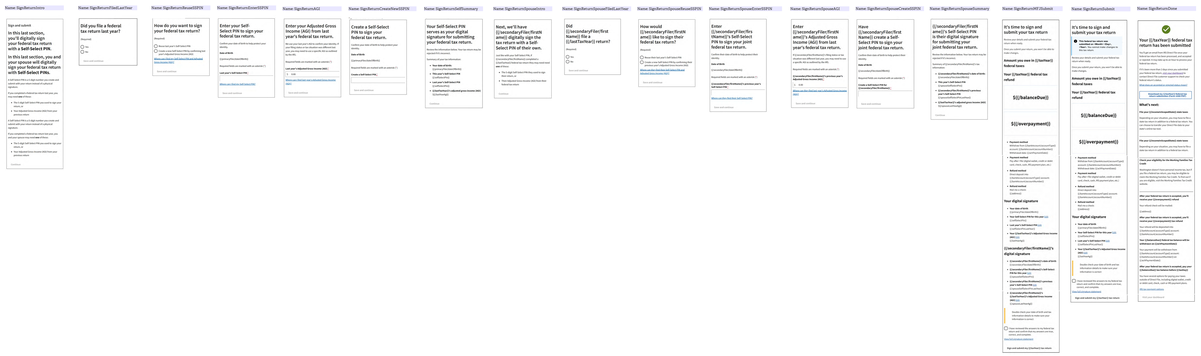
Narrative description

Finally, taxpayers can download a draft of their tax return information, review and correct tax information entered. When they're ready, taxpayers can digitally sign their federal tax return with a Self-Select PIN.

Screens

Review and confirm

Sign and submit



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