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IRS Direct File: PRA Submission

Prepared November 2024

Introduction

As mandated by Congress in §10301(1)(B) of the Inflation Reduction Act, the IRS conducted a feasibility study on the implementation of a free IRS-run direct e-file tax return system, known as Direct File. This comprehensive report, along with an independent third-party analysis, was submitted to Congress on May 16, 2023. Following a successful pilot, the IRS announced that Direct File is now a permanent offering for taxpayers in May 2024.

Direct File is a web-based service provided by the IRS, enabling taxpayers to electronically file their individual income tax returns at no cost, directly with the IRS. This self-preparation tool guides taxpayers through the return preparation process with a series of questions that do not require additional instructions or IRS publications. These responses help determine eligibility for various tax provisions and allow taxpayers to specify preferences such as filing status and dependency claims. Direct File accurately completes the necessary forms and schedules based on the information provided, allowing taxpayers to review and electronically submit their returns.

Available in both English and Spanish, Direct File will support a broader range of tax situations and will be available in 24 states for the 2025 filing season. The service covers a wider array of tax scenarios, including wage income, Social Security income, and unemployment compensation, along with various credits and deductions such as the Earned Income Tax Credit, Child Tax Credit, and new additions like the Child and Dependent Care Credit and Health Savings Account deductions. Direct File will continue to expand to support more common tax situations, focusing particularly on those impacting working families.

This service does not replace existing forms and schedules but offers an alternative for taxpayers to complete them online directly with the IRS. Taxpayers maintain the option to file electronically or via paper through other methods. Direct File aids taxpayers in preparing returns that encompass various forms and schedules, with the potential to incorporate additional forms, credits, and deductions as they become available. Additionally, Direct File integrates with state tax systems, guiding taxpayers through their state tax filings.

In Filing Season 2025, Direct File will assist 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: Additional Income and Adjustments to Income
5. Schedule 2: Additional Taxes
6. Schedule 3: Additional Credits and Payments
7. Schedule 8812: Credits for Qualifying Children and Other Dependents
8. Schedule B: Interest and Ordinary Dividends
9. Schedule EIC: Earned Income Credit
10. Schedule LEP: Request for Change in Language Preference
11. Schedule R: Credit for the Elderly or the Disabled
12. Form 2441: Child and Dependent Care Expenses
13. Form 8862: Information To Claim Certain Credits After Disallowance
14. Form 8880: Credit for Qualified Retirement Savings Contributions
15. Form 8889: Health Savings Accounts (HSAs)
16. Form 8962: Premium Tax Credit
17. Form 9000: Alternative Media Preference

For the 2025 filing season, Direct File will include new features such as a chatbot for eligibility guidance and live chat support in both English and Spanish. The IRS will continue to collaborate with states and other partners to strengthen all free filing options, ensuring that taxpayers have access to the best-suited electronic filing options.

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 19, 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.

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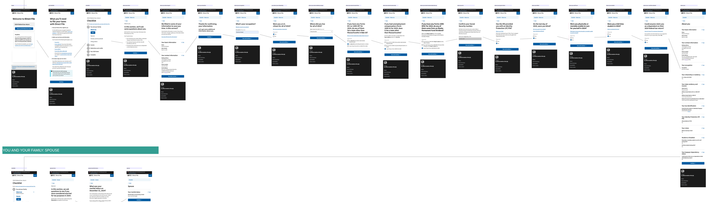
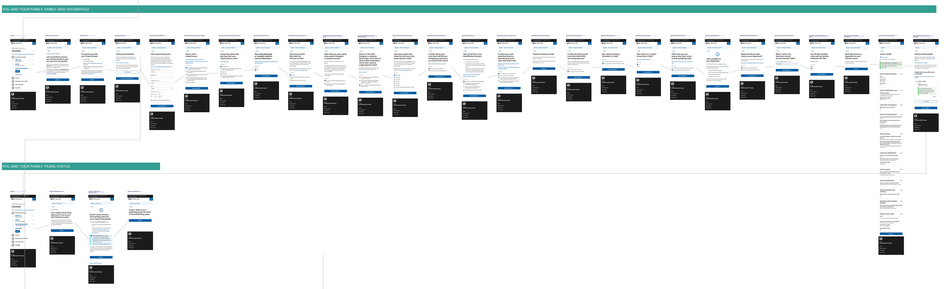
GETTING STARTED

YOU AND YOUR FAMILY: GETTING STARTED



YOU AND YOUR FAMILY: SPOUSE

YOU AND YOUR FAMILY: FAMILY AND HOUSEHOLD



YOU AND YOUR FAMILY: FILING STATUS

INCOME: SOURCES VERIFICATION, FOREIGN ASSETS, DIGITAL ASSETS

INCOME: JOBS

INCOME: INTEREST INCOME

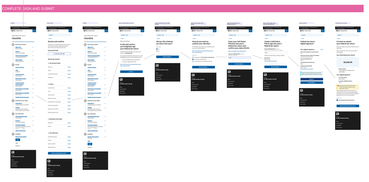
INCOME: DEPENDENT CARE BENEFITS

INCOME: HEALTH SAVINGS ACCOUNTS

DEDUCTIONS & CREDITS

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

COMPLETE: SIGN AND SUBMIT



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