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IN FOCUS

The IRS Direct File Program

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The IRS Direct File (DF) program provided certain taxpayers with the option of electronically filing (e-filing) their federal tax return through a free, secure portal on the IRS website during the 2024 and 2025 filing seasons. The Department of the Treasury (Treasury) suspended the DF program in October 2025. This In Focus provides an overview of the DF program, including its implementation and expansion, preliminary findings from the pilot, and suspension of the program.

Background on E-Filing Options

E-filing provides faster delivery of refunds for taxpayers and lower processing costs for the IRS. E-filing and other means of lowering barriers to the tax filing process have been found to reduce tax evasion, which could increase the federal revenue generated from taxes.

The IRS offers certain taxpayers several options for free e-filing. One option is the Free File program, a partnership that allows lower-income taxpayers to e-file free of charge through websites of participating tax software companies. The IRS also has two volunteer programs providing free e-filing and filing services for certain filers: (1) the Volunteer Income Tax Assistance (VITA) grant program, offered to low-income individuals, disabled individuals, and persons with limited English proficiency; and (2) the Tax Counseling for the Elderly program, offered to taxpayers 60 years of age and older. Another option is Free Fillable Forms, which allows taxpayers to self-prepare tax forms electronically and file directly with the IRS, albeit without guided assistance. Some private companies also offer free filing options outside of the Free File program for simple tax returns.

Prior to 2024, the IRS had not offered taxpayers a guided option for filing directly through a secure portal on its website, an option known as "direct file." Direct file became available under a pilot program for a limited number of taxpayers during the 2024 filing season. Later in 2024, the IRS announced the program would be made permanent. However, after the 2025 filing season, the program was suspended in October 2025.

Evolution of the IRS Direct File Option

IRS efforts to create a DF system began with the Internal Revenue Service Restructuring and Reform Act of 1998 (P.L. 105-206). The act directed the IRS to develop plans to achieve an e-filing rate of 80% for individual tax returns by 2007. A subsequent 2001 directive from the Office of Management and Budget instructed the IRS to expand e-filing, as part of a broader push by the George W. Bush Administration to expand the range of online federal government services.

In 2002, the IRS chose to partner with a number of commercial tax software firms to provide free online tax preparation and filing to lower-income taxpayers through Free File. In doing so, the IRS agreed with the private Free File partners to not develop its own DF tool. In 2019, this provision was removed from the agreement. Utilization of Free File among eligible taxpayers was roughly 3% in the 2025 filing season.

Direct File Implementation

The law commonly known as the Inflation Reduction Act of 2022 (IRA; P.L. 117-169) provided the IRS with $15 million to create a DF task force to explore the feasibility of an IRS-run DF system and prepare a report to Congress by May 2023. The IRS tested the pilot in February 2024 and launched the program in mid-March 2024 for use by eligible taxpayers during the 2024 filing season. The IRS restricted eligibility and rolled out the pilot gradually to test the product and mitigate technical risks. The DF tool was designed as a "do-it-yourself tax preparation and filing tool with guided assistance." The DF tool also facilitated state tax return filing by integrating with several state online filing systems.

On May 30, 2024, the IRS announced that DF would become a permanent tax filing option. The DF program was expanded for the 2025 filing season to support more states and tax situations.

Direct File Program Eligibility

In the 2024 filing season, the DF program was limited to taxpayers with relatively simple returns residing in one of 12 states: Arizona, California, Florida, Massachusetts, Nevada, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington, and Wyoming. Participating states more than doubled to 25 states in the 2025 filing season to also include Alaska, Connecticut, Idaho, Illinois, Kansas, Maine, Maryland, New Jersey, New Mexico, North Carolina, Oregon, Pennsylvania, and Wisconsin.

The program was limited to filers with income only from W-2 wages, Social Security and railroad retirement income, certain other retirement income, unemployment compensation, interest of $1,500 or less, and (in the 2025 filing season only) Alaska Permanent Fund Dividends.

Filers in the 2024 filing season were allowed to claim three credits (the Earned Income Tax Credit, the Child Tax Credit, and the Credit for Other Dependents) and three deductions (the standard deduction and deductions for student loan interest payments and educator expenses). In the 2025 filing season, filers were allowed to claim four additional credits (the Child and Dependent Care Credit, the Premium Tax Credit, the Credit for the Elderly or Disabled, and the Retirement Savings Contributions Credit) and one additional deduction (for Health Savings Account contributions).

The IRS estimated that about 32 million taxpayers would be eligible for DF in 2025, accounting for roughly 19% of the number of returns processed in the 2025 filing season. That represented an increase in overall eligibility from 2024, when an estimated 19 million filers (accounting for 12% of the total returns processed) were eligible for the DF program.

Direct File Program Results

The IRS estimated the average nonbusiness taxpayer spends $160 and eight hours filing their taxes. The DF tool was intended to reduce the burden of filing taxes by providing taxpayers with a free option with guided assistance to help file accurate tax returns and claim tax benefits. Providing taxpayers with a free tool to file their taxes could also increase compliance with tax laws.

The DF program was used to file 141,000 tax returns in the 2024 filing season (representing 0.7% of the estimated eligible taxpayer population) and over 309,000 tax returns in the 2025 filing season (representing 1.0% of the estimated eligible taxpayer population). The number of accepted DF returns in the 2025 filing season was lower than expected, with the IRS initially forecasting between 450,000 and 1.25 million DF returns. The IRS reported that taxpayer reasons for not using DF included lack of awareness of the tool and preferences for either paid tax preparers or for other prior-year filing methods.

User experience surveys found that most taxpayers had a positive experience using DF, with 90% of roughly 11,000 respondents in the 2024 filing season and 94% of roughly 8,900 respondents in the 2025 filing season viewing their experience as "excellent" or "above average." Among survey respondents in the 2024 filing season, almost half (47%) reported having paid to file their taxes the prior year and 16% reported not filing at all. The IRS estimated that the 2024 pilot saved taxpayers $5.6 million in filing costs.

The U.S. Government Accountability Office (GAO) evaluated the 2024 pilot program and found that the IRS "successfully piloted [DF]" and "followed leading practices." GAO recommended that the IRS improve coordination on recruiting and training customer service representatives to support the DF program, work to expand DF access to all eligible taxpayers in all states, identify additional taxpayer data that could be prepopulated in DF, and collect data to inform priorities for the development of new capabilities for DF.

The Treasury reported total DF program costs of $32 million and $41 million in the 2024 and 2025 filing seasons, respectively. The Treasury noted that these costs do not include additional costs that other IRS offices incurred in supporting the DF program.

Direct File Program Suspension

A provision in the FY2025 reconciliation law (P.L. 119-21) appropriated $15 million for FY2026 for a report studying options for public-private partnerships providing free tax filing. The Treasury provided the required report in October 2025 and announced the suspension of the DF program. It stated it was doing so "due to the program's high costs, limited participation, and the [IRS's] need to focus resources on other priorities."

Treasury claimed that benefits intended under the DF program could be achieved more efficiently through enhancements to the Free File program, which has a higher number of eligible participants. Planned enhancements to the Free File program included resources to "expand promotion, evaluate user experience, improve program design, and strengthen oversight." Critics of the decision to suspend the DF program argue that the discontinuation of this program will make tax filing more difficult and costly for low- and middle-income taxpayers.

Direct File and Free File

Although both DF and Free File provide software that guides taxpayers in preparing and filing their tax returns, DF was operated by the IRS, whereas Free File is coordinated by the IRS but operates through private companies. In the 2025 filing season, roughly 3% of 97 million eligible taxpayers filed a return through Free File, and about 1% of 32 million eligible taxpayers filed a return through DF.

Some advocates for a DF tool report concerns with relying on private companies for free e-file options given possible profit motives—claiming, for example, that for-profit companies discourage use of free options by eligible taxpayers. Opponents of DF argue that an IRS DF tool could create a conflict of interest for the IRS in auditing and enforcement actions for returns assisted by DF during the filing process, though IRS DF-assisted returns may reduce filing errors and the need for such enforcement activity.

Another consideration is the availability of the tool to taxpayers. DF was available to taxpayers with relatively simple tax situations, regardless of income, while Free File is available to taxpayers with an adjusted gross income of $89,000 or less in 2025 and can be used for tax situations of varying complexity. While DF was available to taxpayers across the income spectrum, DF would require further enhancements to support participants with more complicated tax situations.

Policy Considerations

Proponents of DF and other free and reduced-cost tax filing programs argue that the current system is disproportionately costly for low- and middle-income households. DF supporters further argue that fully privatized tax filing may reduce the options available to lower-income households to complete their tax return and fully minimize their tax liability and filing fees. Critics of DF argue that it is unnecessarily costly and existing free filing options achieve the same goals more efficiently.

Recent congressional activity suggests interest in further considering a DF tool, with legislation introduced (S. 3948, H.R. 7806) that would restore the DF program. In deliberating modifications to the current suite of e-file options, Congress may consider how new proposals interact with existing programs like Free File; how new tools would support a wider range of tax situations; and how to evaluate tool performance, such as accuracy of tax submissions and user experience.

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