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Potential State-Level Impacts of the IRS Direct File Pilot in 2024

Direct File is the Internal Revenue Service's revolutionary new project to provide free, simplified, public online tax filing for the first time in U.S. history. The program launched in 2024 with a pilot program that is restricted in scope to a small share of the taxpayers that could ultimately benefit from the service. At scale, its potential benefits for American taxpayers are extraordinarily large. A public option for tax filing, Direct File can make the tax preparation market more equitable, inclusive, and competitive.

Even in its first year, **Direct File has the potential to save taxpayers up to \$3 billion in filing fees alone across the 12 pilot states** in which it is available. Table 1 shows the potential cost savings from tax preparation fees in 2024 alone, assuming all eligible taxpayers use Direct File this year.

At full scale, in five years, Economic Security Project's [report](#) finds that:

- Direct File would save the average user \$160 in filing fees and hours of their time each year, which saves Americans a total of \$11 billion annually between filing fees and time costs.
- By breaking down barriers to filing, Direct File would also deliver up to \$12 billion in additional tax credits each year to low-income families currently missing out.
- For every dollar invested in the program, Direct File delivers \$106 in benefits to American taxpayers, between savings on tax preparation fees and access to untapped tax credits for low- and middle-income families.

Table 1: Potential filing fee cost savings among all eligible Direct File users in 2024

State	Estimated number of eligible filers in 2024	Filing fee savings (millions)
Arizona	690,000	\$110
California	5,200,000	\$832
Florida	2,420,000	\$387
Massachusetts	850,000	\$136
New Hampshire	200,000	\$32
Nevada	480,000	\$77
New York	2,820,000	\$451
South Dakota	110,000	\$18
Tennessee	960,000	\$154
Texas	3,850,000	\$616
Washington	1,100,000	\$176
Wyoming	80,000	\$13
Total	18,760,000	\$3,002

Taxpayer data provided by ITEP (March 2024), calculations by ESP Senior Advisor, Bharat Ramamurti

Actual savings in 2024 will be much lower than what is ultimately possible. The actual savings this year cannot reach this full potential, as the tool is just opening officially halfway through tax filing season and many eligible households have already filed their taxes. But this analysis illustrates the

enormous potential savings of the Direct File tool, even with the limited eligibility in this year’s pilot. This provides a strong foundation on which to expand the tool in future years to more tax situations, more people in more states, more automation of the tax filing process, and ultimately much more savings.