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# The Future of Tax Filing

## Part 1: The Story of Direct File

### Chapter 1: The story of Direct File and tax access reform in the Biden Administration

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## Summary

- The story of how Direct File came to be is of relevance for reformers seeking to create similar change in the future — perhaps with more staying power. Though we do not present the story with any particular thesis, readers may keep in mind a handful of themes: time to launch, implementation strategy, opposition from private industry, legislative versus administrative action, and agency independence.
- By the outset of the Biden Administration, filing reform was nearing the political agenda due to a variety of independent influences: the faltering of the Free File Alliance (1.1.1), the interest of the civic tech movement (1.1.2) and child allowance advocates (1.1.3), and experience of pandemic-era assistance programs administered through the tax code (1.1.4).
- When the expanded CTC was enacted in the American Rescue Plan in March 2021, the government needed an easy-to-use simplified filing tool for traditional non-filers, but opted not to build one, working with external non-profit Code for America to create GetCTC instead. The experience whetted the appetite in government to take control of its own destiny, and galvanized support from aligned advocates. GetCTC could later have been adopted into government and developed into Direct File, but ultimately was not, as the expanded CTC fell out of the policy spotlight. (1.2)
- Instead, the decision to build Direct File was the result of about a year and a half of internal administration debate and study. Intuit’s departure from the Free File Alliance in July 2021 was a critical part of this process (1.3.1). The debate featured two separate policy processes, in late 2021 (1.3.2), and early 2022 (1.3.3), and was pushed to a final resolution by the passage of the Inflation Reduction Act in August 2022, which directed the IRS to study a free, public filing option (1.3.4).
- The lack of a public commitment to pilot Direct File until after completion of the report to Congress meant opposition did not coalesce early in 2023 (1.4.1), though support from states, external stakeholders, and VITA programs was also hard to organize (1.4.3, 1.4.4, 1.4.5). Building the product was an all-out sprint to the finish line (1.4.2) and ultimately created a very tight schedule during the pilot roll-out in 2024, which featured some clashes between agile methodology and traditional government ways of working — but the product was clearly a success (1.5).

- It was announced in May 2024 that the Direct File pilot would be converted to a permanent program, generating more support and enthusiasm from a range of angles, though also further galvanizing right-wing opposition (1.6). When Democrats lost control of all branches of government in November 2024, it was only a matter of time before Direct File would be killed, which it eventually was — effectively in March 2025, and officially in fall 2025 (1.7).
  - Many other taxpayer experience initiatives in the IRS Strategic Operating Plan (SOP) to implement the Inflation Reduction Act largely had no more staying power than Direct File, and in some cases took even less root in the agency. (1.8)
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When the Biden Administration began in January 2021, free public tax filing was barely on the agenda. By the time the 2024 election came around, IRS reform was one of the administration’s signature domestic initiatives, and Direct File one of its most visible features. This Chapter tells, as best we know it, the story of how that came to be.

We tell this story not to assign blame or extract tidy lessons, but because we believe it is an interesting and little-known account of how a technocratic idea gets onto the political agenda — a case study in making change.

As we go through the story, we encourage readers to keep in mind a few themes:

- *Time to launch.* Various stakeholders have observed that, had Direct File launched in 2023, or even 2022, it may have been well-enough entrenched by 2025 that it would not have been so easily uprooted by partisan political forces. Direct File’s infancy indeed made it an easy political target for the new administration. But “do it sooner” doesn’t happen by fiat. There are reasons it took so long to get Direct File off the ground, and reformers looking to move faster in the future (on Direct File or any other analogous project) would be well advised to study this story and to plan specifically for the real obstacles they are sure to run into.
- *Implementation strategy.* Direct File launched with a promising (and ultimately successful) high-level strategy of starting small and taking the time to get it right. Plenty of high-profile government projects, particularly technology projects, have been pushed into production without successfully holding such a line. That Direct File was afforded the space to execute this strategy is a part of its success that other projects should seek to emulate.
- *Opposition from private industry.* The existence of entrenched private industry opponents played a significant role in the development of Direct File. The story of the tax prep industry’s active opposition to Direct File was not widely told during the Biden Administration. But the opposition was potent, and stakeholders had to make numerous choices to ward off attacks. We discuss some (though by no means all) of those choices here.
- *Transparency.* Reformers inside government generally eschewed drawing public attention to their work, even as the likelihood of piloting Direct File increased. This

quiet, heads-down approach helped avoid preemptive opposition, but it also hampered the building of external support and partnerships. The benefits and drawbacks of transparency are an important tradeoff for reformers to navigate.

- *Legislative and administrative action.* Though Direct File primarily came into existence through executive action, Congressional action and the debate around it were important inputs into the pace and shape of change.
- *Agency independence.* An administration may be wary of insisting on changes that agencies themselves are not sold on, especially when the agency in question is a traditionally non-political and semi-independent agency like the IRS. And yet creating big change is likely to ruffle feathers within large agencies even in the best of circumstances — doubly so if the change involves second-guessing *how* agencies do their work. How much to defer versus how much to insist, and how much to rely on insiders versus parachuting in newcomers, are complex questions.

Finally, a few caveats. Most importantly, readers should understand that this is the story of Direct File as understood by a few of the people who were involved in developing it. The product's launch was the result of the work of dozens if not hundreds of people in and outside of government, and there is probably much to this story that we do not know, or that we understand incorrectly. This is not an authoritative account cobbled together from dozens of witnesses, and it is surely incomplete. Still, we hope it is helpful to policymakers and reformers interested in learning from past experience as they create change in the endlessly complex world of American government.

Also, this Chapter is primarily the story of Direct File. But Direct File cannot entirely be extricated from its broader context in the tax access and tax benefits reform movement, and so we include some related elements from that larger story.

## 1.1 Filing reform before the Biden Administration, 2001-2020

For nearly two decades before the Biden Administration, other than [a passing mention in the 2008 Obama campaign](#), public tax filing had been largely absent from the political agenda. In the late 2010s, though, a handful of factors began to raise the salience of the issue. In Congress, [starting in 2016](#), Senator Elizabeth Warren began introducing a series of ambitious bills to build political support. And throughout the tax, government, and policy landscapes, the pieces were coming together to set the table for action.

### 1.1.1 The Free File Alliance begins to crack

The story of the missed opportunity to create Direct File<sup>1</sup> in 2001 has been told in detail [many times](#): In short, the Bush Administration proposed creating a free, public tax filing tool, but the IRS ultimately opted instead to set up the Free File Alliance (FFA), a public-private partnership under which private tax preparation software would ostensibly

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<sup>1</sup> Throughout this Chapter, we refer to a free public online tax filing tool generically as “Direct File,” even though that name did not exist until 2023.

offer free tax filing to large portions of the population. In exchange, in the Memorandum of Understanding (MOU) between the IRS and the FFA, the IRS promised not to create its own tax filing software. Of course, the FFA commercial tax prep company participants were generally incentivized to ensure relatively few taxpayers people used the program, steering users to their paid products instead. As a result, Free File usage hovered around 3 million taxpayers annually in the late 2010s — about 2% of individual taxpayers (despite Free File being nominally available to 70% of taxpayers under the MOU).

Still, FFA, thanks in large part to a potent lobbying campaign by the commercial tax prep industry, seemed to hold all the cards for nearly two decades, with the IRS stepping back from any role in the tax filing experience, and indeed developing a culture of extreme caution about upsetting the apple cart by straying too close to the tax filing space. If the IRS could not create its own filing services, it needed to make sure private industry did not withdraw theirs. The weakness of the IRS posture was exacerbated by the declining funding for the agency. In the late 2010s, Free File [was on the verge of being enshrined in statute](#), and the idea of an IRS replacement would have seemed fantastical.

But the status quo began to fall apart late in the first Trump Administration. In April 2019, ProPublica revealed [that Free File companies were intentionally hiding their free offerings in online searches](#), following up later that year with [a long exposé of Free File's lobbying tactics](#). Shortly thereafter, [proposed legislation to make Free File permanent lost momentum](#).<sup>2</sup> In December 2019, under pressure, [the IRS and FFA amended their long-standing MOU to drop the IRS's non-compete clause](#) — though the government would still have to alert the companies if they intended to provide a competing product. Based on the ProPublica investigation, [a coalition of state attorneys general began investigating the advertising practices of Intuit \(parent company of market leader TurboTax\), eventually winning a 50-state \\$141 million settlement in 2022](#).<sup>3</sup>

From that point on, the floodgates fully opened. The state AGs' investigation was followed starting in 2021 or 2022 by a Federal Trade Commission (FTC) investigation that [also found against Intuit in 2024](#) — and then an additional FTC investigation in 2024 that [found against H&R Block in 2025](#). An investigation in 2022, meanwhile, found that the tax companies [may have been illegally harvesting taxpayer data](#), leading to Congressional oversight. All that, though, was for the future back in 2020.

Still, perhaps seeing the writing on the wall, perhaps convinced there was no risk from a weakened IRS, or perhaps simply recognizing that the industry was moving in a new

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<sup>2</sup> Free File had been — and still is — governed only by an MOU between IRS and FFA, which is periodically renewed, without any act of Congress.

<sup>3</sup> The terms of the settlement also prevent Intuit from rejoining the Free File Alliance in the future.

direction,<sup>4</sup> [H&R Block, the third-largest player<sup>5</sup> in the DIY tax filing space, left FFA in June 2020.](#)<sup>6</sup> This did not make huge waves at the time or significantly weaken FFA, though those changes would come when Intuit, by far the largest player in the DIY space, would follow H&R Block's lead a year later in July 2021 (see Section 1.3.1). By the time the Biden Administration was entering office in January 2021, FFA was still in command, but was not the invincible giant it had appeared to be a few short years earlier.

## 1.1.2 The civic tech movement zeroes in on tax filing

The civic technology movement as it exists in the federal government today significantly got off the ground in the wake of the [troubled 2013 launch of Healthcare.gov](#). The high-profile technology failure of a top government initiative [expedited the creation of the U.S. Digital Service \(USDS\)](#), a team within the Office of Management and Budget (OMB), which would recruit private-sector tech talent to improve digital services across the federal government.<sup>7</sup>

It was not lost on the early civic tech leaders that the tax system was fertile ground for intervention. They were looking to transform government services that large numbers of Americans interacted with directly, creating as much impact as possible for everyday Americans — and there is probably no government service more universal than tax filing. There were early USDS efforts in the late Obama Administration to work with the IRS. These did not lead to an enduring partnership, though, and as the early expansion of USDS came to an end in 2016, Treasury and IRS were not among the agencies where it had any real footing.

But tax access remained, somewhat more abstractly, a focus of the new digital government implementation movement that continued to take shape during the first Trump Administration. In particular, funders and organizations were interested in benefits that went unclaimed due to frictions in interacting with government, and federal tax benefits increasingly became a focus among these actors, who would in time have some influence in staffing the new Biden administration.

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<sup>4</sup> Credit Karma Taxes (now Cash App Taxes) had [begun making waves in the tax filing space in 2017](#), offering entirely free filing services and generating revenue by monetizing users' data. This data monetization was prohibited in the FFA terms.

<sup>5</sup> Though H&R Block is by most measures the second-largest company in the tax filing space overall, a much larger part of the company's business is its paid preparer service, rather than online DIY filing software.

<sup>6</sup> The MOU is structured as a legal relationship between the IRS and the FFA, an umbrella with member companies; the companies themselves are not party to the MOU. As such, the departure of a company does not occasion the renegotiation of the entire MOU.

<sup>7</sup> USDS would later be converted into the Department of Government Efficiency, or DOGE, in January 2025.

### 1.1.3 The child allowance movement builds a tax filing constituency

During the first Trump Administration, momentum was also building in Democratic-aligned policy circles to create a monthly child allowance, available to nearly every child in America, including very low-income families who historically had not been eligible for tax benefits and had not filed taxes. The allowance would be administered through the tax system. The policy was, as far as we know, first fully articulated in the [2017 American Family Act](#), and then again in the [2019 Working Families Tax Relief Act](#), which played a meaningful role in the 2020 Democratic presidential primary. Administrability concerns in general and tax filing in particular were not at the center of this policy debate, but a large community of stakeholders was being built up, who would eventually come to care quite a lot whether it was free and easy for low-income families to file a tax return.

### 1.1.4 COVID and the CARES Act

While the above efforts gathered steam slowly, one final element came into the picture all at once: COVID-19. Weeks after the start of the pandemic, Congress passed the CARES Act on March 27, 2020, containing, among other things, Economic Impact Payments (EIPs) — or ‘stimulus payments’ as they came to be known — of \$1,200 per adult and \$500 per dependent, structured as fully-refundable advances of a Recovery Rebate Credit (RRC) on taxpayers’ 2020 taxes.

At Treasury and the IRS, there was an immediate and incredibly effective full-court press to ensure access, especially for those eligible taxpayers who were not required to file returns (because they earned little or no income). Payments went out to all taxpayers with current data [two weeks later](#). [By April 10, the IRS had announced](#) that payments would be automated to non-filers who received Social Security benefits, using data from the SSA — itself a basically unprecedented step.<sup>8</sup> On April 15, this [automation was expanded to Supplemental Security Income \(SSI\) recipients](#), and on April 17 [to Veterans Affairs \(V.A.\) beneficiaries](#).

Most importantly for this story, the IRS moved quickly to create a streamlined filing process for non-filers without a tax filing obligation to sign up for the payments. Since the payments were the same amount for everyone with income below a very high threshold, people without a filing obligation could simply provide their identifying information, their children’s identifying information (if applicable), and their payment information (direct deposit, or mailing address); that’s all that the IRS would need to issue payment. Treasury issued its first draft of guidance for this simplified filing procedure five days after the CARES Act passed, in [Revenue Procedure 2020-28](#) (which was amended slightly a few weeks later). Nine days after that, just two weeks after the CARES Act passed, [the IRS launched a simplified filing tool](#) (aka the non-filer tool, or the “non-filers: enter payment info here” tool) implementing that Revenue Procedure.

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<sup>8</sup> The beneficiaries *would* have to file a return or use the simplified filing tool if they had dependents to report, since the existing SSA data would have no record of those dependents.

The simplified filing tool was far from perfect. Since the IRS, then as now, had no internal tax filing software capacity, it was an adaptation of the Free File Fillable Forms tool (built by Intuit on behalf of the FFA), which is designed for sophisticated taxpayers comfortable with tax filing, and is more or less a set of browser-based fillable PDF tax forms. It is not interview-based; instead of, for example, helping you determine if your child is your dependent, it simply asks you to enter your dependents' information. The product was only available in English, and was not mobile-responsive, meaning it was very hard to use on a mobile phone. It was likewise not accessible for taxpayers with disabilities using assistive technology. There was also confusion, in the overwhelming times of April 2020, over the fact that the simplified filing tool was actually filing a tax return, which precluded taxpayers from later filing a traditional return to claim their full refund.<sup>9</sup>

Still, the IRS was, for the first time, playing a leadership role in administratively simplifying tax filing to promote access. It was (indirectly) providing a tax filing product to ease access specifically for low-income populations. That was a huge conceptual step forward, even as it left a lot of details to be resolved. When House Democrats passed the HEROES Act in May 2020 (even though it was never passed into law), its proposed CTC expansion and additional EIPs foreshadowed the importance this issue would continue to have going into 2021.

Not only was the accessibility of free tax filing then already a hot topic in 2020, but now when the Biden Administration came to office in January 2021 and passed the American Rescue Plan Act, issuing even more EIPs and expanding the CTC, it was going to be an incredibly hot topic indeed.

## 1.2 The expanded CTC era, 2021-2022

### 1.2.1 After expanding tax benefits, the Biden Administration declines to build its own filing software

Between November 2020 and March 2021,<sup>10</sup> an ambitious domestic policy bill took shape in Democratic circles. It would include not just a third and even more generous round of EIPs (a second having been passed in the December 2020 Coronavirus Response and Relief Supplemental Appropriations Act), but a one-year implementation of a fully-refundable CTC with monthly advance payments. Both became law when the American Rescue Plan Act (ARPA) was signed on March 11, 2021.

Despite its over \$400 billion scope,<sup>11</sup> the third EIP seemed to get relatively quickly lost in the shuffle in policy circles. Instead, it was the CTC that took center stage, with many in the Administration seeing it as a potential legacy of the Biden presidency.

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<sup>9</sup> Taxpayers could, in principle, paper file a superseding return. But paper returns in this period were being processed with extreme delays.

<sup>10</sup> And particularly after the Georgia runoffs of January 5, 2020 gave Democrats a Senate majority.

<sup>11</sup> By July 2021, [Treasury had already disbursed nearly \\$400 billion in EIP3](#).

When it came to tax system access, the expanded CTC had two key attributes.

First, it was to be partially administered in monthly advance payments — with half of the credit being issued to taxpayers monthly between July and December 2021 (starting, that is, four short months after passage).<sup>12</sup> This not only required the IRS to create monthly payment files for tens of millions of families, but also necessitated some mechanism for taxpayers to update their information or opt out of the monthly payments, if their information had changed since their last return or if they anticipated having a different tax situation for the current year.<sup>13</sup> This was all serious and complex work, though also very much in the wheelhouse for the IRS, which was accustomed to implementing late-breaking Congressional updates to tax logic once they came down the legislative pike, especially largely back-end changes. The CTC Update Portal (CTC UP) was eventually launched in the summer, with functionality expanding over the course of the following months.<sup>14</sup>

Second, of course, the CTC was fully refundable, meaning it was available to the very same low- and zero-income households who had become newly eligible for tax benefits during the first and second rounds of EIPs, and who were struggling to access the tax system. It seemed to go without saying that the IRS would, at a minimum, continue the simplified filing reforms of 2020, allowing these very low-income families to claim the CTC (and any of the three EIPs) with a no-income return. [Revenue Procedure 2021-24](#), outlining this simplified filing process for CTC and the EIPs/RRC, was anticipated throughout the spring and [released in May](#).

But it also seemed like a natural opportunity to do more. The limitations of the Fillable Forms simplified filing product were at this point well known in policy circles, and the same civic tech movement that had been getting enthusiastic about free public tax filing for years (Section 1.1.2) was now represented in key positions throughout the new administration. [One of us argued publicly in early 2021](#) that the Administration should build a government-run

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<sup>12</sup> The rest of the credit would be claimed as a lump sum at tax time.

<sup>13</sup> Including, for example, if they claimed children last year that a different adult in the child's life would claim this year, a common situation in practice. See [Chapter 12: dependents](#).

<sup>14</sup> Advance payments of a credit that some taxpayers were accustomed to receiving non-refundably ought to have raised its own set of issues. Consider a taxpayer with one 10-year-old child who owes \$5,000 in total tax before the CTC. Including the credit, they owe \$3,000 in total tax — or now, with the expansion, \$2,000. The taxpayer has their withholding finely tuned so that they pay \$3,200 in taxes throughout the year and receive back a \$200 refund. Now, though, half of the expanded payment is issued in advances, so they receive \$1,500 throughout the course of 2021. They pay \$3,200 in withholding, still. But now at the end of the year they owe \$3,500 in total tax, and the \$3,200 does not cover it; they owe \$300. This situation ought to have happened fairly frequently for higher-income taxpayers whose withholding was finely tuned and took into account their expected CTC claim. The only real option for these taxpayers in 2021 was to simply unenroll from periodic payments — which many did, but naturally many also did not. We are somewhat surprised more dissatisfaction did not come to the fore when this specific set of taxpayers filed their 2021 returns in early 2022. One possible ameliorating factor was that only half of the credit was paid in advances in 2021, meaning that the increased liability at the end of the year was meaningfully offset by the expanded credit. For a child over 6, the increased liability at the end of the year was only \$500; for younger children, \$200. The situation would have been very different with a complete advance payment, or an advance without a corresponding credit increase.

version of the simplified filing tool, and slowly expand on it until it became, essentially, Direct File. (The timeline laid out in that report offers a glimpse of what could have been, with Direct File more or less fully mature before the end of Biden's first term.) The idea had been unthinkable for years, but now the FFA non-compete clause was gone, and in the form of the non-filer tool, the government finally had a tractable minimum viable product that would allow it to start delivering value immediately, without having to tackle the complexities of a full return.

Inside the administration, though, this idea was gaining basically no traction whatsoever. Probably, in small part, this was because CTC UP and advance payment administration were taking up all the bandwidth in relevant parts of the IRS. But there were much bigger contributors. Despite whatever had changed in the last years, it was still taken as a given within the IRS that the agency did not build tax filing products; it simply was not done. And if this precedent were broken, it would risk upsetting the uneasy equilibrium with FFA, which, while weakened, was far from dead. The White House and Treasury, meanwhile, might have been mildly more enthusiastic about a government-provided solution, but at this early date, they were not going to violate the traditional political independence of the IRS by trying to insist on it.

This is not to say that the White House and the IRS were blind to the liability of the Fillable Forms simplified filing tool. IRS officials even floated the question of whether the FFA might improve the product, specifically adding Spanish-language functionality and support for mobile devices — though the answer came back no. The non-filer tool went on to [re-launch in mid-June 2021](#), with the user experience essentially unchanged from the year before.

## 1.2.2 Nonprofit civic tech steps in to launch GetCTC, demonstrating the need for a government-owned product

Still, as the spring wore on and the July launch of advance payments approached, political appointees were coming under increasing pressure — particularly from advocates — to come up with a better simplified filing solution. Eventually, White House and Treasury officials hit on an unorthodox solution: independent non-profit Code for America would build an improved simplified filing tool that the White House could promote on ChildTaxCredit.gov. The plan was hatched in the late spring; GetCTC<sup>15</sup> was [launched in beta in August](#) and [in full on September 1](#).

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<sup>15</sup> Despite its name, GetCTC 2021 also allowed users to claim all three EIPs (EIP1 and EIP2 as the TY2020 Recovery Rebate Credit, and EIP3 as an advance). In 2022 it allowed users to claim EIP3. Ironically, especially in 2021, [most GetCTC users were just EIP/RRC claimants and did not, in fact, get CTC](#). This is consistent with the idea developed in [Chapter 12](#) that there are probably far fewer non-filers with children than commonly believed.

On its own terms, GetCTC was a success; it launched on time<sup>16</sup> and was widely seen as solving the problems of the Fillable Forms product. Political appointees got positive feedback for its development, building something of a virtuous cycle for tax access reforms. But in a number of ways, it was clearly a half-measure, and in this way it increased the appetite inside government for building something in-house instead.

For one thing, there was the problem of how official exactly GetCTC was, and how it could be promoted. How could the government's role in GetCTC be described? (Ultimately, lawyers settled on the middle-ground formulation "made in collaboration with the White House and U.S. Department of Treasury.") User research had meanwhile been circulating in the administration (confirming basic common sense) that a .gov site would be more trusted than an unknown .org URL like GetCTC, and so to really drive usage, GetCTC would need to be linked from a government website. But this was a bit awkward, as the government historically did not link to specific private tax filing products. Plus there was the issue of the Fillable Forms product, which remained operative through October 15; the FFA had in a sense done the IRS the favor of providing this product, and the IRS wasn't about to abandon that contribution and partnership. The IRS web pages on CTC and EIPs continued to point to the Fillable Forms product until it closed on October 15; the IRS pages switched to promoting GetCTC only for the final month of e-filing.<sup>17</sup> As a result, it appears that far more taxpayers were driven to the FFA product over time than to GetCTC, especially when the IRS sent outreach letters to millions of apparent non-filers in late September pointing them to the IRS CTC and EIP web pages.

There was also the question of what would come next. In late 2021, the administration became aware that CTC expansion was not working as well in Puerto Rico, where the different tax law meant the existing simplified filing process would not work, but that far more taxpayers would benefit from a simplified process. And yet, in seeking to expand GetCTC, the administration was at the mercy of an independent non-profit, to whom it could (and, in the case of Puerto Rico, eventually successfully did) only politely recommend changes.

This all helped generate the sense within the administration that it would be better if the government were in control of its own destiny. For this big administration-wide priority, the official government solution was built by private industry with misaligned incentives and with the IRS effectively powerless to influence it; and the best workaround was hoping for progress from an independent non-profit. This did not seem like a promising posture for an administration that was staking an important part of its legacy on the accessibility of the tax system.

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<sup>16</sup> By launching in September, GetCTC was available in time for families to sign up for advance payments before the end of the year. No matter what month in 2021 families signed up, they received half the credit in advances. While it may have been preferable to have the product available earlier in the year, an earlier launch was never anticipated or planned given the overall timeline.

<sup>17</sup> The e-filing system generally closes each year in November; in 2021, it closed the week of November 15.

The entire experience also had interesting effects in the civil society space. The large coalition that had grown up to support the child allowance policies in 2019 and 2020 was now laser-focused on the tax filing reform question, and could take some credit for having pushed the government in the right direction over the course of 2021. While this did not immediately significantly influence decision-making about Direct File, which largely happened later, it did mean there was a coalition of interested advocates who could be — and were — re-engaged when Direct File became public in 2023. Without the GetCTC 2021 experience, it seems unlikely that tax filing would have been embraced as such a core principle of the center-left ecosystem two years later.

### 1.2.3 The CTC expansion fades — and GetCTC with it

For a moment in 2021, it seemed plausible that GetCTC would become an immediate stepping stone to Direct File, and thereby get the process moving more quickly. Even though the government had not built it, GetCTC could still serve as the minimum viable product (MVP) for a larger filing product in a broad sense. The idea of the government adopting Code for America’s (open-source) codebase was discussed in early 2022. There were also discussions in late 2021 and early 2022 about expanding GetCTC from the narrow use case of zero-dollar filing; Code for America in particular [advanced a proposal to “post-populate” income so as to issue to GetCTC users any EITC they were due as well.](#)

But in point of fact, none of this happened<sup>18</sup> — mainly because of shifting political currents. Stakeholders inside and outside the administration were frustrated, over the course of 2021, by their collective inability to reach additional families with the CTC; the widespread impression was that there were millions of in-need families who simply were not claiming the money. In some quarters, this perceived failure began to weaken interest in the entire concept of filing reform for very low-income families. More importantly, the wind came out of the CTC expansion’s sails in general. By summer and fall 2021, the full extension of the expanded CTC with advance payments increasingly seemed like it was not going to make it into the Build Back Better Act. Then, in December 2021, it seemed there was not going to be a Build Back Better Act at all. The zero-dollar CTC would be relegated to a one-year experiment, and it was becoming yesterday’s news. Why would the government adopt the GetCTC codebase when it seemed like 2022 was going to be the last year for zero-income simplified filing? Besides, with the disintegration of BBB, IRS would continue to face extreme capacity constraints due to its limited funding.

So GetCTC went down as a precursor proof of concept. It had some impact in the moment, it generated [a wealth of learnings about non-filers](#), and it generated some enthusiasm inside

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<sup>18</sup> The only meaningful expansion to the simplified filing rules in 2022 was to the Puerto Rico use case ([Revenue Procedure 2022-22](#)). The 2022 Revenue Procedure for simplified filing in the 50 states and D.C. ([Revenue Procedure 2022-12](#)) did lay out a process for claiming EITC, but it was not appreciably simplified from standard filing. GetCTC [did eventually implement the EITC process in late 2022](#), but the main contribution of this implementation was [to help prove that more simplification would be needed if traditional non-filers were going to claim the EITC.](#)

and outside government for the idea that there ought to be a better solution. But it would take more than that enthusiasm to make Direct File a reality, a project that by this point was proceeding on a separate track.

## 1.3 Getting to Direct File (early 2021-late 2022) — policy process, Intuit leaving Free File, and the Inflation Reduction Act

Meanwhile, back in the late spring of 2021, a policy debate about Direct File had started in the administration in earnest. The interest was mainly circling around USDS and civic tech stakeholders in the administration; USDS had engaged with the IRS and Treasury on topics including racial equity, credit uptake, the Volunteer Income Tax Assistance (VITA) program, and ChildTaxCredit.gov starting in February 2021. These conversations would eventually, about two years later, lead to a USDS team working at the IRS on Direct File.

Throughout these conversations, stakeholders throughout the government navigated an interesting tightrope act of some relevance to future would-be reformers. On one hand, political appointees in the administration did not want to steamroll an agency (especially a traditionally non-political and semi-independent one), and wanted to be respectful of its prerogatives. On the other, there was a widespread (and probably correct) assessment that, if the government wanted something *new and different* from the IRS, it would have to do it in a *new and different* way, probably involving a team from outside the agency. Striking this balance became central to the Direct File policy process.

Two factors helped these conversations gain momentum. First, there was the CTC experience discussed above in Section 1.2. But second, and perhaps more importantly, on July 15, 2021, [Intuit left the Free File Alliance](#), following the lead of H&R Block the year before.

### 1.3.1 Intuit leaves the Free File Alliance

Intuit's departure from FFA attracted only limited attention at the time, but, in retrospect, it was critical to Direct File's existence.

Despite the growing interest in government tax filing and despite the weakening of FFA since 2019, FFA's sway at the IRS in summer 2021 was still more or less unshakeable. Even USDS's limited VITA engagement had drawn consternation at the agency for straying too near the "third rail" of competing with FFA. There was the impression that any move the agency made toward filing reform would trigger companies to leave the FFA or even lead to the complete dissolution of the partnership, making the impact of any reform a net negative for access to free filing in the short term. Indeed, when Intuit did leave FFA for filing season 2022, Free File's usage dropped by about a million returns, well more than Direct File's first-year usage. It was assumed that industry would use a move like this to discredit a fledgling program. Instead, in the summer of 2021, Intuit unilaterally walked away.

This is not to say that FFA ceased to be an issue. Far from it — concerns that FFA or their allies in Congress would find ways to sabotage Direct File plans continued to be front of mind throughout the project, and greatly complicated communications about the project inside and outside the government. But, at the IRS, the project had been more or less unthinkable — until Intuit’s departure.

In April 2022, when the [Government Accountability Office found that IRS’s reliance on Free File was an increasing strategic risk to the agency](#), citing in particular the one million return fall in usage due to Intuit’s departure, it was pouring fuel on the fire.

### 1.3.2 The first policy process launches and stalls (late 2021)

By late summer, USDS and the White House were engaged in a conversation about what it would look like to tackle tax filing. This crystallized finally in a memo in fall 2021 and a formal policy process that launched in November 2021. In other words, it took about eleven months, the government-wide CTC experience, and Intuit’s departure from FFA for the conversation about building a tax filing product to get really serious.

But there was an important decision made at this point: the IRS was not part of the policy process, which instead consisted of OMB, NEC, USDS, and Treasury. Different participants have different recollections of why this happened. Some recall the perception that IRS’s closeness to FFA and industry would run the risk of leaking the plans to FFA, which would unleash a torrent of opposition; or, similarly, that the IRS would simply resist a whole new way of doing business. After all, some combination of those dynamics had led the IRS to more or less balk at the idea of taking bigger moves on filing reform through the CTC experience all year. Others recall that whether to pursue Direct File was considered properly a political decision, and the agency would simply be brought in when it was time to deliver. Others recall that the IRS itself reported the agency did not have the capacity or interest to be involved, especially since BBB funding had not passed.

Complicating all of this (and probably contributing to the diversity of narratives on this point) was the IRS’s treatment as a semi-independent non-political agency. Treasury was seen as unable to order the IRS around, and to maintain a modicum of independence, very few people from the rest of the administration were actually in communication with the IRS.<sup>19</sup> (This dynamic would later be ameliorated by the passage of the Inflation Reduction Act, which effectively invited Treasury into the business of the IRS in a whole new way.)

The decision not to involve the IRS from the start would later have consequences, when the agency was eventually brought into the fold. But this first policy process would meet its fate

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<sup>19</sup> The IRS’s independence from the regular administration of the government dates back at least to the response to the Nixon Administration’s attempts to weaponize the agency. During the Obama Administration, [the ultimately-debunked controversy over alleged IRS targeting of conservative political groups](#) strengthened Democratic administrations’ commitment to the norm of leaving the IRS outside of normal politics. And the first Trump administration’s trampling of traditional norms of agency independence further strengthened the Biden administration’s resolve to re-introduce and respect such traditional independence.

much sooner over a largely unrelated issue: Congress. In late 2021, administration leaders still hoped to put the Humpty Dumpty of BBB back together, including its \$80 billion of IRS funding. These leaders were concerned that pursuing a — still politically controversial — Direct File project could derail BBB's IRS funding in Congress, a risk they were not willing to take.

The first policy process fell victim to consternation around this issue, and disbanded before the end of 2021. However, its lasting impact was to achieve consensus on three points.

First, it would be a priority to target the final filing season of Biden's first term, January to April 2024, for the full launch of Direct File (with a beta-testing period in the second half of 2023). This would necessarily mean releasing a more limited product, but USDS averred iterative releases as an implementation best practice, while political voices understood the importance of delivering something tangible to taxpayers ahead of an election, in contrast to how many of the benefits of the Affordable Care Act were not realized until Obama's second term.

Second, in order to achieve a 2024 release, a go/no go decision would be needed by principals by June 2022. Delay past that point would foreclose options to test Direct File in 2023, thus requiring both testing and public release to occur within the two-and-a-half months of filing season and reducing the number of taxpayers who would be able to use Direct File in its first year (a contingency that did ultimately come to pass).

Third, the initial version of Direct File would need to jettison hoped-for features around pre-populating taxpayers returns with IRS data. Such features were dependent on modernizing existing IRS systems, and would increase the complexity of the project and foreclose the possibility of a 2024 release. The group was convinced that even if Direct File was limited to a "filing interface," by virtue of being authoritative, user-friendly, and above all, guaranteed free, this would provide enough taxpayer value to be a worthwhile first step, paving the path for future enhancements to include pre-population.

### 1.3.3 The second policy process gains steam (early 2022)

Persistent staff within the administration did not let go, and Treasury was persuaded to reanimate the conversation in early 2022, with a second policy process starting in March, with the goal of teeing up a go/no go decision by June. It had taken a little over a year from the start of the Biden Administration, but at this point, for several months from spring to summer of 2022, the process proceeded productively. The team made progress on substantive issues, and had generated a staff-level white paper by mid-May. The white paper described key factors that would influence the trajectory of Direct File, including the challenge of state taxes, the outsized impact of customer support costs on the budget at scale, and a notional approach for the initial tax scope along with rough estimates of the number of eligible taxpayers.

But it soon became clear that June would come and go without a decision, as the process remained in a wait-and-see posture with regard to IRS funding in a tax-and-climate bill built from the remains of BBB. This began to foreclose the possibility of a late-2023 beta launch. Still, seeking to preserve optionality, Treasury gave USDS the green light to build a proof of concept, resulting in a functional prototype of Direct File by July.

Then, the summer brought two big changes for Direct File.

First, in early July, Treasury brought the IRS into the process. There had still been no official decision to pursue Direct File, but, particularly with the persistence of White House officials, it was clear the conversation was not going away, and Treasury decided it was time to engage the agency. Presented with a near-fait accompli that something like Direct File would be happening, the IRS's concerns were more muted than they might have been a year earlier, but the response was predictable: we can do it. The IRS might have been wary of the project, but if it was going to happen anyway, the agency took pride in its “you say jump, we ask how high” approach to new mandates, even while operating under immense constraints. The policy process of the last half year could hand off a short concept note to the IRS, and the agency would take it from there.

It is not that Treasury or White House officials thought that such an approach would maximize the probability of delivering a transformational product. But, to key Treasury stakeholders, the IRS leading its own project felt like a much more “normal” state of affairs. Telling an agency that it does not get to own its flagship project because the point is to change how work gets done is a tough message to deliver, and Treasury officials seemed loath to pursue such extraordinary measures. Thus the policy process started to wrap up in late July, with the conclusion that the IRS would build a tax filing product on its own terms, leaving much of the work to date behind. The USDS team working on Direct File was disbanded.

Just then, the entire process was turned on its head yet again.

### 1.3.4 The IRA changes everything (July-September 2022)

Unexpectedly, on July 27, Senate leaders announced the legislative package, now rebranded the Inflation Reduction Act (IRA), was alive and well. It was signed into law less than three weeks later, with a robust \$80 billion IRS investment at its heart. It also contained a \$15 million appropriation — pushed by the Senate Finance Committee — to study the viability of a Direct File product, and report back to Congress within nine months, by May 2023.

The impact of the IRA on Direct File is complicated.

On one hand, in a literal sense, the IRA was not critical to Direct File; the project was already on track anyway, and if anything, the study language properly speaking set the policy process back, as months of study were already complete, and the team was ready to move on to delivery. Had the study implementation gone differently (as it almost did), it could

have delayed Direct File delivery beyond the point of Biden's first term. The IRA funding, meanwhile, was largely incidental to Direct File, given the relatively modest cost of the pilot.

On the other hand, the project had just been handed off to the traditional IRS way of doing business, running the risk of falling into a familiar pattern of government technology delivery — waterfall timelines, outsourced delivery, low prioritization of human-centered design — that has historically led to subpar results. Had it not been for the IRA, and the study language in particular, there might not have been any way to unwind the decision of July 2022.

But now, with a huge administration-wide investment in the IRS, the agency was swarming with Treasury staff trying to figure out how to spend the funds. Critically, too, the posture of senior Treasury staff flipped overnight. Before, some had been wary of Direct File, as it might upset the delicate balance of getting IRS funding through Congress, something they still, by the summer of 2022, hoped they might be able to do. Now, in August 2022, they had been successful, and that concern was in the past. Instead, the administration had a new political imperative: there needed to be something concrete to show the American people for all the money that had just been plowed into an admittedly unpopular agency. To some administration officials, Direct File seemed like just the thing.

If the IRS had continued with Direct File along the July 2022 status quo, the implementation would likely have been led by the IRS Chief Information Officer based on traditional government technology methodologies, with the Treasury Office of Tax Policy negotiating with IRS Chief Counsel about tax scope, and likely relatively little consideration for user experience. The study itself would probably have been farmed out via procurement, quite likely to MITRE.

Instead, the USDS team managed to get back involved with the process. The IRS official in charge of the entire taxpayer services wing of IRA implementation, who went on to become Direct File's lead in the agency, was connected to the remnants of the USDS team and found the work of the previous year compelling. In September, a decision came into focus: would Direct File be built by the USDS team coming out of the policy process, or via a more traditional IRS process led by the CIO?

Treasury made the final call, and selected the USDS path in late October, putting in place the senior leadership who would run Direct File for the next year. The team that had been disbanded in early August began being re-established now, about three months later, in early November. And the proposal was to use the study period to continue moving forward on the development of a prospective project, so as to yield a more useful study, and to leave open the option of launching the product before the end of Biden's first term. (\$15 million, after all, was a lot more than it would cost to write a study.)

So, all told, it took another year after the start of the first policy process, plus the passage of the IRA (which could have been a double-edged sword, but in practice largely was not), plus quite a bit of luck, to get a team in place to actually actively work on Direct File. It then

took a little time to bring the staff back from the various other projects they had moved onto, but the Direct File team was basically back in business and working on the product starting January 2023, two years after the start of the Biden Administration. The possibility of testing Direct File in late 2023 — which had required a June 2022 go/no-go — was now basically out of the question, but the possibility of launching in 2024 was still live.

### 1.3.5 The dog that didn't bark: fully-automated filing

Throughout this story was the implicit or explicit concern that Direct File would become stuck in bureaucratic inertia, and would be delivered too slowly or too unambitiously, so that it would not really effect any change in the tax system. For members of the USDS team, though, there was also another concern: what if the Direct File project set out to do *too much*? Specifically, in some quarters, there were dreams of a project that would not just provide free and easy tax filing, but would eradicate returns wholesale, and usher in some world without any tax filing at all.

The implementation team felt then — and we feel now, including for reasons discussed in [Chapter 2](#) — that such an approach was fundamentally unworkable, and that a mandate to pursue it would have led to failure. But it could easily have ended up the outcome of a political policy process. We believe that the involvement of an implementation-minded team from the very beginning was pivotal in ensuring that political expectations did not become divorced from reality.

## 1.4 Building Direct File, January 2023 - February 2024

### 1.4.1 The team builds during the IRA report period (January-May 2023)

By the beginning of 2023, there was a robust team in place, working on the report to Congress and concurrently on the product itself. By using the report period to actually do product work alongside foundational user research, the findings of the report could be much more useful — and it would leave open the option to actually put a product in front of taxpayers in filing season 2024. Danny Werfel was sworn in as IRS Commissioner in mid-March 2023; early in his tenure, he was briefed about the work of the Direct File team and made a decision to pilot Direct File after reviewing early drafts of the report.

But even as the team increasingly adopted a presumptive posture of readying a 2024 pilot, its work was kept quiet. All USDS staff were read into the effort in February 2023 as part of a recruitment push, but they were cautioned that the information was subject to a “friend-DA,” a tongue-in-cheek reference to a non-disclosure agreement. When the IRS published its [Strategic Operating Plan on the overall expenditure of the \\$80 billion in IRA funding](#), in April 2023, it contained just a single page on Direct File, essentially a placeholder pending the publication of the report. Some information was necessarily public; the IRS issued a request for proposals (RFP) that described in some detail the approach it would take to build Direct File. In the absence of a decision to pilot Direct File, the RFP's

detail was caveated as just an example of the type of support the IRS sought to implement the IRA, but the information was mostly shielded from wider attention by the obscurity of the federal procurement process.

Remaining quiet about the seriousness with which the team was taking its task had the benefit of allowing the attention of industry lobbyists to remain misdirected. Opposition during this period fixated on the alleged non-independence of the Congressionally mandated third parties working on the report (New America and Ariel Jurow-Kleiman, who were [announced in February](#)). The opponents seemingly anticipated a war of words over a piece of paper, and they hoped to preemptively characterize its authors as left-leaning hacks. They had no idea the core report would describe a working prototype and be written by the IRS itself, with the third party's contribution relegated to an appendix. The existence of the prototype did not leak until the day before the publication of the report.

So, when Direct File delivered [the report to Congress](#) on May 16, 2023 and Treasury announced its decision to direct the IRS to pilot Direct File, the IRS's timeline was far past where most observers had expected, and the opposition had not at all coalesced. It's not obvious that concerted earlier opposition could have derailed the project, but it certainly would not have helped.<sup>20</sup>

#### 1.4.2 The team sprints to launch (spring 2023-early 2024)

Much could be said about the specific practices, decisions, and challenges of building the Direct File product itself. Mostly, the relevant points are documented in the open-source codebase and the appendices of the [2025 Direct File report](#). Here we highlight just a couple of points.

First, the team structure: Direct File was built using a one-team approach, with customer support included in the core team, rather than sitting on an island somewhere else in the agency. This was critical in actually providing useful customer support and in generating a tight feedback loop to make improvements in the product when it was live.

Second, the timeline: at an all-out sprint over the course of 2023, getting Direct File launched on time was a struggle, for a combination of substantive and bureaucratic reasons. Contracts for design and engineering were awarded in late May; the formal kickoff with IT and the contractors happened in late June. A notional tax scope for 2024 had been set in the spring, but by the summer it was already appearing ambitious. With the forcing function of a Paperwork Reduction Act public comment period, the Child and Dependent Care Credit was cut from scope in August, finalizing year-one scope. Throughout the fall, there were challenges getting the product deployed on IRS infrastructure, and there was a period in early fall where it seemed the state API, in particular, would not be able to be

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<sup>20</sup> One other aside is in order about the pilot period: it was in a user research session in March 2023, asking a taxpayer about the idea of the IRS delivering the tax filing product and showing the taxpayer the IRS logo, that the participant: "Why is the IRS logo a flamingo and a fern?" The flamingo and fern went on to become the unofficial mascot of Direct File.

successfully deployed at all. The details of the pilot were scheduled to be announced in September; with the various technology challenges, the announcement was pushed back to October 17. The product ultimately got a conditional authority to operate (ATO) in late October, with state API testing starting shortly thereafter. By November, the decision was made that Direct File's launch would not be tied to the beginning of the filing season. The product's full ATO came on January 23, 2024, and Direct File passed e-file testing on January 30, 2024, filing its first real tax return on February 1, just four days into filing season.

A similar story played out in at least some of the companion state filing software teams.

It was the 'failure is not an option' attitude within the IRS (and partners) that kept Direct File on track to launch in 2024. It is not hard to picture that, if the timeline had not been so do-or-die, there would have been delays.

### 1.4.3 Year-one states sign on (summer 2023)

One of the big question marks in Direct File, dating back to the beginning of the policy conversations, was how the product would support state taxes — if it supported them at all. (This policy debate per se is discussed in more detail in [Chapter 4](#).) The idea of supporting them directly in the product was rejected early on. Not supporting states at all was certainly on the table, and indeed nearly came to pass a couple times, but it would have been a significant substantive and political liability for the new product.

Instead, as early as the summer 2022 policy process, momentum was building for the solution Direct File would ultimately employ: a data sharing API allowing taxpayers to export their Direct File data to a standalone state solution.

The big problem with this approach is that states would have to play a large role, actually providing their own filing products, and they would have to be brought on board incredibly quickly. In the absence of a decision to pilot, states and partners could not be engaged apart from a high-level discussion of hypotheticals, which was insufficient to secure budgets and other commitments. Reflecting the third party's awareness of the team's plans, the API approach was outlined in passing in the appendix of the May 2023 report to Congress, but it was omitted from the main substance of the report. State tax departments did not really hear about Direct File's intentions for states until mid-June 2023, when the Direct File team attended the Federation of Tax Administrators (FTA) Annual Meeting and met with state officials and software providers. From states' perspective, this was very late to be talking about big plans for the coming filing season, and the idea that Direct File would actually launch in seven months was received in many quarters with skepticism.

But there were a few things working in Direct File's favor. First, as discussed in [Chapter 4](#), nearly half of state tax departments already had state-level Direct File tools run by a single vendor, FAST Enterprises, which had long supported more public tax filing options, and was amenable to integrating their product with Direct File by January if any of their many states

would sign on. Second, Code for America was still kicking around the tax filing space, with spare capacity after the demise of GetCTC, and had been tracking the state filing debates of the previous year. Code for America had quickly pledged to support state filing for the pilot year of Direct File, and was actively recruiting state partners that it would support pro bono. Finally, there was years of pent-up support for a Direct File project among some state officials, who had been waiting for such an opportunity to come along.

It was widely misreported later in 2023 that the IRS had selected states for the pilot. Instead, the invitation was opened to any state who would be able to join in time, and the participating states were those who signed up.

With some luck, a trio of states signed up over the summer to pilot the integrated state filing approach in 2024. New York had been a longtime enthusiast of a Direct File type project, and even attempted to build its own tax filing solution a decade earlier but was stymied by federal inaction; New York leadership was ready to jump at the chance to lead on the issue, and opted to move forward with the Code for America solution. Massachusetts, notably home to Senator Elizabeth Warren, the principal Congressional leader on the issue, opted to adapt their FAST product for Direct File. In Arizona, a new Democratic administration was eager to deliver new common sense policy wins and also opted to move forward with Code for America. On top of those three, California had long been a leader on tax filing, since the ReadyReturn pilot of 2009 and the establishment of the state-run tax filing software CalFile. The tax department was not ready to integrate CalFile with Direct File by January 2024, but they did not want to be left out, and joined as an “unintegrated” state; taxpayers would use Direct File and then be redirected to CalFile, without their data following them. The user experience downsides of this approach would be partially mitigated by CalFile’s support for some pre-population using state data.

The states joined over the summer and were announced in October. It was good for Direct File that ultimately three states with two different technology implementations had signed up, because the safety in (modest) numbers kept any state from losing its nerve as the project hit some tight deadlines around the new year.

#### 1.4.4 Outside support begins to organize

Just as a lack of visibility into the seriousness of the team’s work in early 2023 prevented industry and its allies from organizing their opposition, it also got in the way of Direct File’s allies organizing their support.

That said, significantly thanks to the CTC experience of 2021, some of the outside organizations were tracking the issue closely and were able to respond quickly. In April, ahead of the report’s release, a group of organizations from the child allowance advocacy movement [wrote to the new Commissioner](#), asking him to prioritize reforms to ease tax filing in his new role. The groups were ready to support the coming project shortly after the report to Congress came out. The [Coalition for Free and Fair Filing was formally launched](#) a month after the pilot announcement. A [support letter signed by over 200 organizations](#) and

[another support letter signed by over 100 tax system academics and experts](#) soon followed. The group would continue to help organize grassroots support in outreach and back efforts to organize support in Congress.

As with the opposition, it is not obvious exactly what would have happened to Direct File without this organized support, but the support certainly did not hurt.

### 1.4.5 Direct File and VITA co-exist

One other subplot in this era was the connection between Direct File and VITA, which had been — at least de facto — the premier free tax filing option in local communities for decades. As with every other stakeholder, Direct File had not engaged with the VITA field or program office during the report period, and in fall 2023, as talk of the upcoming pilot launch was getting louder, most VITA sites still had no idea if or how they would interact with the program. Though VITA certainly supported free tax prep options, VITA programs have an understandable inclination toward full-service options, and there was no guarantee the programs would support a DIY self-help product off the bat. In the worst case scenario, some Direct File stakeholders were concerned that an ambivalent and alienated VITA could see Direct File as a threat rather than a complement to their services, and would oppose the program in practice — which could be especially damaging given the political credibility of VITA programs in the space.<sup>21</sup>

The best solution would be if Direct File could develop some kind of formal collaboration with VITA. As discussed in more detail in [Section 13.5](#), most VITA sites optimize almost entirely for the total number of returns they prepare, a principal outcome metric for their grants. It was widely understood that VITA sites would be more likely to join the Direct File movement if they could be given credit toward their grant metrics for Direct File referrals, the same way they received credit for referring taxpayers to the facilitated self-assistance (FSA) software provided by TaxSlayer under its contract with VITA. But Direct File, especially in year one, had no method to help VITA sites count their Direct File referrals, and there was never more than gestural guidance encouraging sites to support the program. (The same pattern would more or less repeat itself in year two, though for different reasons.)

Ultimately, some VITA sites were very supportive, but most took a hands-off approach to the Direct File movement. But there was also no meaningful opposition, and so in the end VITA writ large was of relatively little import to the Direct File pilot in general, rather than bolstering or hindering it.

## 1.5 The Pilot era, 2024

As the rubber prepared to meet the road in early 2024, the rushed timelines of the project (critically, the lack of the originally planned 2023 testing period) and the agile methodology

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<sup>21</sup> There was [some effort in the Direct File-aligned community over the summer](#) to paint a more productive picture of Direct File in the VITA landscape.

of the teams began to run into cultural conflict with external stakeholders, and the timeline of getting Direct File fully tested and launched in February and March was admittedly tense.

Direct File, correcting for the mistakes of big civic technology launches past, and in particular recalling the overwhelming demand for past government digital services upon launch, took a cautious and agile approach to setting the pilot timeline. There would be Phase A, with use by IRS (and participating state tax department) volunteers; Phase B, in which Direct File would be used by selected outside volunteers, whose emails would be put on an allow-list to access the site; Phase C, with unannounced periods of public availability; Phase D, with full availability but subject to closure in case of issues; and Phase E, fully open. None of the phases were given dates, since graduating to the next phase would be based on successfully clearing the previous one. (More on this in [Direct File's 2024 report](#).)

Externally, the entire plan was received with some misgivings. Community partners wanted to help make the pilot a success, but recruiting individual taxpayers and submitting their emails to the IRS for some future filing period, the timing of which was not yet known, proved an uncomfortable task in practice. Meanwhile, the entirely unknown launch dates stymied efforts to recruit other organizations to do outreach, especially since most partners who would consider doing tax season outreach were not interested in changing their pitches over the course of the season. This entire dynamic was mirrored in some of the partner states, who misunderstood the undefined rollout schedule not as prudence but as stonewalling and unpreparedness. This all lowered the amount of outreach and promotion that some outside partners provided — although, as the following year showed, it is not obvious how much the limited outreach dampened 2024 usage.

Meanwhile, on the other hand, the caution was, at least in part, warranted. The IRS has no ability for tech teams to test software in production environments, and given that there is some daylight between testing and production environments, this raises the possibility of issues upon pushing to production. When the first users in Phase A used Direct File on February 1, and Direct File with state support on February 9, they were individual users being accompanied live by a support team to identify and resolve any issues. There were, indeed, showstopper issues that prevented users from filing returns — which only did not become public relations fiascos because there were single-digit numbers of users at the time, all well aware of the situation. Phase A worked as designed — though future teams would be well-advised to keep in mind that only a tiny fraction of signed-up volunteers will actually use a product exactly when the testing phase opens.

The following phases, though, had to be adjusted. After the awkward reception from external partners, Phase B — the external allow-list — was dropped entirely. In Phase C, unannounced periods of public availability, which began on February 22, far fewer taxpayers came in the door during the available periods than were expected, and trying to dial in just the right amount of public cheerleading when the door did open became a challenging dance. By early March it was clear Direct File would simply have to be opened to the public. Full availability began on March 8, a few days ahead of what had begun to be socialized as a formal March 12 launch.

One should be careful not to overlearn the lessons of this experience in any particular direction. On one hand, the cautious approach was warranted, and a wholesale public launch without individual testing would have created a potentially very bad news cycle for Direct File, which it may not have survived. On the other hand, some of the pilot phases ultimately proved unworkable, and the cultural tensions over announcements of dates probably dampened outreach and usage in year one. There might be ways to better balance the needs of agile tech teams with the realities of a national product launch. On a third hand, though, it was a mad sprint to launch and there was no time to reflect on some of these finer points. Probably the main lesson to be drawn from all this is that being forced to launch at the height of tax season during a do-or-die last year of a presidential term is challenging. Far easier, as originally discussed back in December 2021, to launch in the period after April 15, with lower volumes and less time crunch, and be battle-tested by the time of the tax season launch the following year.

Outwardly, though, and mercifully, probably very little of any of this registered in the broader discourse. From the public's perspective, Direct File launched in early March. It enjoyed positive press coverage from the start, and accelerated exponentially in usage throughout the following five weeks or so until April 15. The exponential growth was in part a function of the overall growth of tax filing over the period of early March to mid-April, though Direct File's growth in use outpaced that trend. By the time the pilot closed in mid-April, there were 140,000 successful Direct File users and few meaningful issues with the product. As late April rolled around, stakeholders inside and outside the government — even and especially those who had been skeptical this entire time — began to see the project quite favorably.

## 1.6 “Permanence” and expansion, 2024

By the close of the 2024 tax filing season, it became clear throughout policy circles that the Direct File pilot would be seen as a big success. For the first time in a long time, a major federal technology product had been launched without big, news-making hitches, and in fact taxpayers who used Direct File generally loved it. The tax access movement that had gathered steam around CTC was enthused now to support Direct File (and probably happy to have something to champion again). The biggest looming liability in the early spring had been usage; what if Direct File didn't even clear the relatively modest-seeming goal of 100,000 returns in year one? But it did.

By the time it was announced on May 30, 2024 that Direct File would be made “permanent” (permanence that would, incidentally last less time than the project had existed to date), stakeholders inside and outside of government who had either not cared about the project, or decided not to take a position until they saw more evidence, were ready to get on board.

Direct File seemed now to be part of the good-government conventional wisdom of center-left Washington, and a core piece of taxpayer service for states. The newfound enthusiasm came from all quarters — from members of Congress; from the old guard of the

IRS; from states; from members of the administration. This last bit was especially relevant as Direct File went into its critical period of state recruitment over the summer of 2024. There were two possible margins for Direct File expansion — tax scope and states — and it was on the latter point that senior leaders in Treasury and the White House could play the largest role. Treasury and the White House began wooing Governors' Offices aggressively, encouraging them to sign up for 2025. Notably, cognizant of the politics of the situation, they opted only to woo Democratic governors. (Recruitment of tax departments themselves was left to the IRS team, which sought to be more of an impartial honest broker than salesman to states.)

State tax departments, who had largely adopted a wait-and-see approach in earlier 2024, largely now began to see Direct File as something of an inevitability for them, and many were downright enthusiastic. Timelines were still tricky, though. As with year one, states were effectively learning of Direct File's coming season in early June (with no official word about Direct File's future until the announcement of permanence on May 30, and most communications to states coming at FTA conferences the following weeks), which they again felt was quite late in the game for large new initiatives in the coming filing season. For most states, it was a question of whether to scramble to be ready for January 2025, or give it another year or two and join at their leisure.

More members of Congress, meanwhile, were now excited to get involved. The [May 2024 Direct File Congressional support letter](#) now attracted over 130 signatures, [up from 99 the previous June](#). Some members of Congress also got involved in efforts to recruit their home states, and some floated legislation that would help accelerate Direct File expansion, though it would have had little chance of passing a Republican-controlled House. Some members of Congress also joined with senior members of the administration in pushing for more and faster growth in tax scope.

Support was also growing apace in the civil society space, and the Coalition for Free and Fair Filing's [May 2024 support letter attracted over 250 signatures](#), up from about 200 the year before. What role the Coalition could actually play in this period, though, was sometimes less clear. Coalition organizers had pursued the notion that grassroots support in states would help convince state tax departments to join Direct File in 2025, although in practice this support ended up having relatively little influence in most states' decision-making. Some Coalition members, like members of Congress and administration officials, made efforts to push for faster delivery of expanded tax scope. (Americans abroad and 1099 gig economy income were two frequent requests, neither of which would ultimately be close to feasible for filing season 2025, whose scope had basically been set back in the spring, and would be trimmed back, not expanded, as time went on.)

But the feeling of the inevitable tide of success did not in any way slow down opposition efforts from the tax prep industry and its allies. Republican members of Congress continued to rail against the project; not one came around to supporting it in this period. At tax administration conferences throughout spring and summer 2024, tax industry representatives loudly and outspokenly denounced Direct File. The FFA continued to

threaten actual and potential state participants that joining Direct File might mean turning off state taxpayers' access to free options through FFA. In an especially damaging move, the opposition [organized a group of thirteen state Attorneys General \(two of them, incongruously, from states without any income tax\) to publicly oppose Direct File in January 2024.](#)

This last dynamic, coupled with the Administration's aggressive recruitment of blue states, exacerbated a partisan divide throughout the summer of 2024; blue state tax departments were being widely pressed to join Direct File, while red state tax departments received far less pressure to join, and indeed were often pressured to stay out. Ultimately, only one new 2025 state had a Republican governor (Idaho), and one other was in a clear cultural sense a "red" state (Kansas). (More on the state recruitment efforts in [Chapter 4.](#)) This generated the impression of a much starker partisan divide in state tax departments than actually existed.

With these conflicting currents, and with the now loud policy clamoring coming from various angles in Washington, the year two work was at times more complicated and more political than year one's. But none of this was really an issue in a practical sense. Within a year or two, Direct File would have simmered farther back into the policy background, and the chaotic whiplash of the first two years — first no attention, then a surfeit of it — would recede into the past.

Throughout the late summer and fall, the machine chugged along: 13 new states were lined up to join Direct File. Scope would expand to retirement income, Child and Dependent Care Credit, and additional interest income. Data import — that is, several new elements of pre-population — were teed up to launch in 2025. During this period too, USDS staff on Direct File were gradually hired into IRS directly, so that by the start of the 2025 filing season, it was IRS staff working on an IRS project. Things were proceeding well and growing rapidly.

## 1.7 Collapse, 2025

But, of course, they did not continue going this way, because on November 5, Democrats lost the White House and both chambers of Congress.

Those of us working on the project had been asked over time about election contingencies. We tended to argue that Direct File need not be a partisan program, though clearly in Washington it continued to scan as one, and it was clear an electoral loss would be a serious threat for a not-yet-entrenched program. A solid Republican trifecta almost certainly spelled Direct File's demise, and it thus was a contingency not worth planning for. The idea was to invest in the project and hope for enough political maneuverability to become an established function of the IRS.

As noted above, despite the gathering momentum in nearly every direction, one place Direct File had made no appreciable progress was on the right. A variety of Republican-led states

had expressed interest in joining Direct File, and one (Idaho) did for 2025; several adopted a posture of waiting until after the election year. But in Congress this interest counted for very little. Those of us working on the project were confident from the day after the election that the tax preparation industry, having failed to stop Direct File once, would not miss their second chance.

The gloomy outlook for Direct File did have one positive effect, which was that it prompted the team to sprint faster than previously planned on pre-population, since this could well be the last opportunity to deliver that functionality, at least for now.

Following the transition, the White House and the IRS more or less abandoned plans to promote the product and let it be widely believed during the filing season that the product had been canceled, which predictably depressed usage (see [Chapter 6](#)). The administration also generated ample chaos at the IRS, which would see [six commissioners in its first five months](#), and within civic tech teams across the government, with its immediate elimination of the U.S. Digital Service (converted into Elon Musk's DOGE) in January 2025, and its elimination of 18F shortly thereafter. Neither of the civic tech moves directly impacted Direct File, which at this point was largely an IRS team, but it hit hard for team members who were alumni of the tech teams and still maintained close relationships. With everything in the federal government on uncertain footing, to put it mildly, Direct File's ability to grow and thrive was significantly curtailed.

As DOGE rampaged across the government in its early months, there were occasional news reports that they would save, or at least co-opt, Direct File, something that nominally aligned with their goals. DOGE and Direct File leaders indeed briefly discussed the idea. But ultimately the more predictable outcome prevailed. The administration was trying to cut government in general, and the IRS in particular, and a new discretionary project that positioned the IRS as helpful and productive was not in the game plan. In March, the administration gave the direction to stop working on Direct File, news that became public after the close of the filing season. Shortly thereafter, a majority of the Direct File team left the government.

That was effectively the end of the program, though it would take several more months for the formal end to come, during which time Direct File remained open, processing tax returns. Republicans in Congress [attempted to formally kill off Direct File in H.R. 1 in the spring](#), but the language was removed for violating the Byrd rule and thus being ineligible for a reconciliation package. Instead, initiating the IRA, H.R. 1 included language asking the IRS to study a Direct File replacement and report back in three months. When [that report](#) was released in fall 2025,<sup>22</sup> it contained language suggesting Direct File would be discontinued — though even then, the IRS did not explicitly announce the end of Direct File. The closest thing to an official announcement came finally in early November, when the

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<sup>22</sup> The report was apparently completed on October 2, but not released until later, due to the government shutdown.

(remnants of the) Direct File team [notified erstwhile partner states](#) that the product would not be available in 2026.

## 1.8 Non-Direct File SOP reforms

To this point, we have of course been discussing only Direct File. But, while it is not the focus of this report, there is in all this the question of other tax system reforms. After all, though easy and free filing was the keystone component of reformers' wishlist, it wasn't the only item on it, and it was not the only transformation pursued during the IRA modernization push.

Ultimately, while we do not attempt a thorough accounting of the other tax reform pushes in this period, we think it is important to keep in mind that Direct File's lack of staying power was not unique to Direct File.

When the [IRS Strategic Operating Plan](#) was released in April 2023, it contained a range of items that access reformers inside and outside the government had sought as part of the Biden Administration IRS agenda: improving notices to taxpayers, proactive alerts, engaging non-filers, ensuring taxpayers receive all credits they are eligible for, better data on gaps in the system, digitizing communications and forms, faster multi-modal customer service, year-round self-service tools, access to IRS-held data, etc.

The SOP implementation came with a surge in Treasury attention and staffing, and a surge in resources in the types of areas where agencies can quickly spend money — most particularly hiring call center staff, so that the call answer rate shot up overnight from 2022 to 2023. Some promising initiatives got off the ground (some notices were redefined, some new studies about credit gaps came out), and probably some would, given more time, have taken root. On the compliance side, it appears change was indeed meaningfully underway, with the agency actually staffing up to start going after complex cases of tax evasion — progress that was lost only because the change in administrations interrupted it.

But it is not clear to us that the \$80 billion investment was really on track to deliver transformative change to the taxpayer experience and for tax system access. There did not seem to be a large-scale culture shift underway; big systems and big processes did not seem to be slated for overhaul or reimagination. (And this is not to sugarcoat the Direct File experience either; Direct File succeeded by limiting its transformational ambition and starting up on an island within the IRS, and was shut down again before there was time to scale the product or look at sharing that expertise with the rest of the agency.)

In 2023-2024, for example, outside reformers were still advocating for a variety of non-Direct File measures to improve tax access: clear data on the size and shape of the non-filer gap; better IRS-hosted wayfinding between different filing options; expedited processes to resolve conflicting family claims; enhancements to the CP-09 and CP-27<sup>23</sup>;

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<sup>23</sup> These are forms the IRS sends to tax filers who appear eligible for but do not claim the EITC, providing a streamlined method to claim it.

expanded and improved ID verification options for users of IRS systems; direct IRS outreach to engage non-filers; and VITA modernizations, for example. While reformers made some headway, we are generally not aware of large-scale persistent changes across most of these issues.

One possible interpretation is that this is all a function of timing. If the IRS strategic overhaul had started a year earlier, perhaps, there would have been time for more to take shape and take root — or, perhaps, the stronger momentum and focus of an early presidential administration would have made things move faster. But even then, future reformers should take a note of caution from the whole experience. While BBB was expected to pass earlier than the IRA did, the IRA did come only 19 months into a four-year term. Government reformers seeking to make change in the unpredictable world of federal policy may need to find ways to move faster and more convincingly if their efforts are to stick.