Economic Security Project

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The Future of Tax Filing

Part 2: Building Direct File: Policy and Strategy

Chapter 8: Integration between Direct File and other IRS systems

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Direct File was built essentially on an island from other IRS systems.

This is relatively normal for a transformational digital product, allowing the team to work differently and create something unlike what has come before at a large agency. If we want to do something new, it helps to separate the new from the old. This was a similar approach undertaken by, for example, the U.S. Digital Service team at the Department of Veterans Affairs, which built a new landing page, vets.gov, to host key digital services, largely separately from the rest of the department.

But after a time, the logic shifts; now the goal is to ensure the rest of the agency can benefit from the new team. As vets.gov reached maturity, after several years, it merged with other VA online services and became va.gov. Similarly, as Direct File reaches maturity, it would be natural for it to become more integrated into broader agency technology products. In the IRS context, in practical terms, this means merging Direct File with the IRS online account. Direct File would be part of a suite of IRS online account products.

The right time for these processes to begin is, again, around the time Direct File reaches its *baseline maturity*, the point at which it can serve over half of taxpayers, as described in Chapter 3: Direct File and tax scope, and can be positioned as a default filing option. Had the Direct File team continued operating, this might have been in 2026 or 2027.

In concrete terms, such a merger would enable a number of improvements for Direct File and for other IRS services:

- *Direct File promotion.* 'File' would become a call to action on the online account and throughout the website, and would take you to Direct File. While online account usage is currently limited, IRS.gov visits are high, and the integration would make it possible to start tying Direct File in as a default filing option throughout IRS online properties. (As noted in Chapter 7: Direct File promotion and outreach, these changes would admittedly provoke substantial opposition from the tax prep industry.)
- *Year-round communications.* In Chapter 10: IRS communications, we discuss the importance of regular, reliable, and trustworthy communications from the IRS — and how Direct File has begun to point the way toward these better communications. Integrating Direct File with the online account would allow messaging written in a Direct File style and tone to begin to be used with taxpayers throughout the year.
- *Connections to other IRS services.* While tax filing is the most important online action most taxpayers take, it is not the only one. Integrating Direct File into the online account would allow taxpayers to move seamlessly between the filing experience and these other actions, and infuse those other actions with the look, feel, and philosophy of Direct File. These include:
    - *Installment agreements* that taxpayers set up when they cannot pay the entirety of their tax due.
    - *Real-time tax topics*, like withholding, estimated taxes, and (if the policy is reintroduced in the future) management of advance payment of credits. Chapter 11: Real-time taxes explores this theme in much more detail, including what a real-time product might look like.
    - *Payments*. Today, irs.gov/pay, where taxpayers make estimated payments, tax due payments, or any other payments, in fact sits on an island from the rest of the IRS online infrastructure.
    - *Amended returns.* The IRS's process for amended returns remains antiquated. Taxpayers must fill out the 1040-X, which explicitly identifies the old and new values for each incorrect value. For a taxpayer who prepared their return using tax software and never interacted with the underlying tax forms, navigating such a form is prohibitively difficult. Meanwhile, taxpayers can nominally e-file the 1040-X, but behind the scenes, these e-filed 1040-Xs are printed and processed manually. Both sides of this process are due for an update. Direct File would be a valuable piece of software to manage the updated process, since in principle a filed tax return could be fed into the fact graph and presented in Direct File, even if it were filed differently in the first place.[1]

Such integration between Direct File and other IRS services was already being discussed within the IRS in Direct File's early years, and would be a natural step for a reanimated team within a year or two.

[1] There would be some logistical challenges with this approach, since the fact graph contains intermediate data inputs not present on a final return.