

# THE COALITION FOR FREE AND FAIR FILING

## 2024 Direct File Tool, Explained (*updated 12/8/23*)

On October 17, the IRS announced further details of the 2024 pilot launch of Direct File, the first free, public federal tax e-filing tool in U.S. history. That Direct File will launch in early 2024, just eight short months after the project was first announced, is a triumph for modern digital government, and sets the standard of an agile and successful product. The pilot scope is ambitious but achievable, and the success of the 2024 pilot will set the stage for an iterative approach that expands to more states and more tax situations in the years to come.

This fact sheet was developed by the [Coalition for Free and Fair Filing](#) to highlight key facts about the 2024 pilot. Additional information is available from the IRS [here](#) and you can read the Coalition press release [here](#).

### Fast Facts on Direct File 2024

- Supports **simple tax cases**, accommodating **nearly half of low-income taxpayers**.<sup>1</sup>
- Includes the **Child Tax Credit** and **Earned Income Tax Credit**.
- Available in **12 states**, totaling over 40% of the U.S. population.<sup>2</sup>
- An estimated **20 million taxpayers** could be eligible to use Direct File in 2024.<sup>3</sup>
- **Mobile-first**, user-friendly, interview-style design, **available in Spanish and English**.
- Available to **ITIN taxpayers** who meet the eligibility criteria.
- **Dedicated customer service**, building on IRS's existing revamped efforts [to improve phone response rates](#) and provide [flexible taxpayer assistance across the country](#).
- **Phased availability**: available first **by invitation only**, and later in 2024 **to all eligible taxpayers**.

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<sup>1</sup> [Goodman et al \(2022\)](#) report that 36% of taxpayers for tax year 2019: earn less than \$100K; have income only from wages, Social Security, and interest; and claim only EITC, CTC, and AOTC (Table 5). The 2024 Direct File scope is slightly larger than this in some ways (unemployment income; some deductions; no income limit) and slightly smaller in others (no AOTC; some interest not in scope). The authors also report this rate was 42% for tax year 2018 (Table A2). Because simple tax cases are more common among lower-income taxpayers, we estimate that the 2024 scope covers nearly half of low-income taxpayers.

<sup>2</sup> Using 2022 Census figures, 146.2 million people live in the 13 supported states, out of 333.3 million total.

<sup>3</sup> The 12 states included in the pilot include 44% of the country's population. We conservatively assume that the Direct File scope covers 30% of taxpayers (see Footnote 1). Over 150 million households file taxes every year. 150 million x 44% x 30% = 19.8 million.

## Pilot Prioritizes Low-Income Taxpayers, Accessibility, and User Experience

- **Targeted and strategic scope:** The Direct File team chose a smart and well-targeted scope for the functionality of the 2024 pilot. Commissioner Werfel said in [May](#) that the program would be rolled out consistent with modern best practices of iterative development. Launching with a strategic core product is in line with this approach.
- **Inclusion of key tax provisions for low- and middle-income households:** By supporting a range of common credits, deductions, and income sources, Direct File 2024 will accommodate the tax needs of a meaningful number of low- and middle-income households — especially those who stand to gain the most from filing, and those who can least afford to pay fees for private tax preparation services.
  - *Supports common sources of income:* W-2 wages, unemployment benefits, Social Security benefits, and interest up to \$1,500.
  - *Supports common credits:* EITC, CTC, and Credit for Other Dependents.
  - *Supports common deductions:* student loan interest, educator expenses, standard deduction.
- **Prioritizing accessibility:** Direct File is demonstrating its commitment to serving populations who may face special barriers to filing returns, like non-native English speakers and people with disabilities:
  - Direct File will be available in English and Spanish.
  - Direct File will be easily accessible on a phone, and compliant with strict government accessibility standards (e.g., Section 508).
  - Taxpayers will be able to request IRS communications in other languages and in alternative media formats.

By focusing on a targeted scope, the Direct File team can ensure a successful pilot and a positive experience for taxpayers who use the tool in 2024, paving the way to expand in the future.

## A Clear and Strategic Plan to Support State Filing

The Direct File team has [repeatedly made clear](#) their commitment to ensuring that there is a simple and streamlined way for Direct File users to file their state returns. Today's announcement reaffirms that seamless state filing integrations are a core part of the Direct File project, and outlines plans to test integrated state filing in four states.

- **Direct File available in 12 states:** The 2024 pilot focuses on states with integrated state filing solutions, or no state filing obligations. To achieve its potential, Direct File needs streamlined state filing solutions, so taxpayers are not stranded at the end of their federal return. We are confident that Direct File will expand to all states in the coming years.
- **Four states testing different filing options:** The IRS and partner states (Arizona, California, Massachusetts, and New York) are testing different approaches to create a unified tax filing experience, allowing taxpayers to seamlessly file federal and state returns. The state tools will help identify successful models to scale to the whole country.
- **Available in eight states without income tax,** in addition to the pilot integration states.