

IRS Direct File – Update

Many years ago, IRS began offering Free File, which consists of various software companies offering to file taxpayer's returns for free. The link to these companies was on [irs.gov](https://www.irs.gov) by clicking on "Free File". TurboTax and H&R Block were two of these companies, although they both left the Free File program a few years ago.

Then Congress told IRS to create tax preparation software for taxpayers to use to prepare and file their tax returns directly with IRS. This is called Direct File and was launched last tax season as a pilot program. This is different from the Free File program. As a result of last year's "success," IRS has announced that the Direct File is permanently here.

So, the question is, Will this impact you?

Some background information - The Direct File Pilot program became active in March 2024 and closed in late April 2024. The program was available to eligible taxpayers with specific simple issues, and only for taxpayers living in 12 specific states.

To use Direct File, eligible taxpayers needed to create an account to verify their identity, through the ID.me set up. Taxpayers who already had an ID.me account, such as for dealing with IRS, SSA, or another federal government or state agency could sign in using their existing ID.me account.

Last year 140,803 taxpayers used the Direct File service to file a return, out of more than 3,300,000 taxpayers who started the eligibility checker, and 423,450 taxpayers who logged in.

The cost of the creation and operation of the Pilot program came to \$24,600,000, including creating and publishing the report for Congress. This translates into \$174.41 per return.

The 2024 version of Direct File is available in 24 states (as of press time). The taxpayers must live for the entire 2024 calendar year in one of these available states. The program has a limited amount of income sources, credits, and deductions that are available. Taxpayers will determine whether they are eligible when they go to the IRS Direct File link. The program is not available to ALL taxpayers at this point.

Many states will piggy back their state return to the Federal return.

Details about the Direct File program can be found by entering "Direct File" in the Search box on [irs.gov](https://www.irs.gov).

As tax professionals, we should be asking ourselves, "Why should our clients stay with us, instead of using Direct File?" What are you doing to show your clients that you are worth your clients' investment (the fees they are paying you)?

This text has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065 (fax 920-496-9111).

We ask that no reproduction of this article take place without the express written consent of Ashwaubenon Tax Professionals, 2140 Holmgren Way, Suite 1040, Green Bay, WI 54304.

If you know of someone who would like to be added to our email list, have them send us an email with SUBSCRIBE in the Subject line. If you would like to be removed from our email list, send us an email with UNSUBSCRIBE in the Subject line.