The Direct File Act of 2026

Senator Elizabeth Warren & Representative Brad Sherman

In 2024, the IRS launched Direct File, a program that allowed taxpayers to file their taxes online, for free, and directly with the IRS. Direct File saved families time and money by cutting out the middleman. The average taxpayer spends 8 hours and $160 each year filing their taxes with tax prep companies. If fully implemented, Direct File was projected to save families up to $23 billion annually in fees, time, and tax credits. The program was also overwhelmingly popular with taxpayers. 94% of Direct File users described their experience as "excellent" or "above average," and more than 70% of taxpayers said they would use Direct File if they were eligible.

Despite Direct File's success, the Trump Administration ended the program after extensive lobbying efforts by tax prep giants like Intuit. This decision runs counter to recommendations from the independent Government Accountability Office and Treasury Inspector General for Tax Administration, hiking costs for Americans and making the tax filing experience more cumbersome.

The *Direct File Act* would reverse the Trump Administration's decision and codify the Direct File program, building on the success of the Direct File pilot. In particular, the bill:

- Prohibits the IRS from entering into agreements that restrict its ability to provide free online tax preparation or filing services.
- Directs the IRS to establish and operate a free online tax preparation and filing program.
    - This program must be owned by the federal government, be accessible on mobile devices and in multiple languages, provide integrated customer support, and be promoted to eligible taxpayers.
    - The IRS must use data in agency records to simplify the preparation and filing process where possible, including by importing data into a taxpayer's return if the taxpayer so chooses.
    - The program must be accessible to at least 50% of taxpayers in participating states by tax year 2028.
- Directs the IRS to publish an annual report on use levels, patterns of usage, and ways to improve access to Direct File.
- Directs the IRS to enable seamless integration between state tax filing systems and Direct File, including through information sharing and a new grant program for states.
- Reduces tax fraud by getting third-party income information to the IRS earlier in the tax season, allowing the agency to verify this information before issuing refunds.