

## IRS Direct File - SPEC Partner Opportunities

### for SPEC Partners and Employees

#### Background

IRS Direct File is an option to file federal tax returns online – for free – directly with the IRS. Direct File will expand to 24 participating states with additional features making this option available to more taxpayers for the 2025 filing season.

"Direct File is an important component of a stronger, more comprehensive tax system that gives taxpayers electronic filing options that best suit their needs," said IRS Commissioner Danny Werfel in an **October 2024 announcement**. "It is a critical tool in the IRS' effort to meet taxpayers where they are, give them options to interact with us in ways that work for them, and help them meet their tax obligations as easily and quickly as possible."

Joining the 12 pilot states where Direct File was available last year, are 12 new states participating in Direct File for the 2025 filing season. The participating states for the 2025 filing season are:

Alaska, Arizona, California, Connecticut, Florida, Idaho, Kansas, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Washington (State), Wisconsin, and Wyoming

**Taxpayers cannot use IRS Direct File if they did not live in ONE of these 24 participating states for all of 2024.**

IRS Direct File is a "scope based" service – with some wage income limitations starting at \$125,000 – that allows taxpayers within scope to file their tax returns for free. Direct File is available in both English and Spanish.

In addition to doubling the number of states where Direct File will be available, Direct File will also cover a wider range of tax situations for the 2025 filing season. The **Direct File Eligibility Checker** is now available to help taxpayers find out if Direct File is right for them in 2025.

Eligible taxpayers with a Social Security number (SSN) or an Individual Taxpayer Identification Number (ITIN) who live in a participating state, are not filing more than

one state returns, and have the types of income, credits, and deductions listed below, can choose to use Direct File in 2025.

IRS Direct File generally supports the following types of income, credits, and deductions throughout the 2025 filing season:

- Income:
  - W-2 wage income
  - SSA-1099 Social Security income
  - 1099-G unemployment compensation
  - 1099-INT interest income
  - 1099-MISC for Alaska residents receiving the Alaska Permanent Fund Dividend

*Taxpayers can't use Direct File if they had other types of income, such as gig economy, rental, or business income.*

- Credits:
  - Earned Income Tax Credit
  - Child Tax Credit
  - Credit for Other Dependents
  - Child and Dependent Care Credit
  - Premium Tax Credit
  - Credit for the Elderly or the Disabled
  - Retirement Savings Contributions Credit

*Direct File will also guide taxpayers to the participating state tax filing site to apply for state-specific credits (e.g., Working Families Tax Credit in Washington State).*

- Deductions:
  - Standard deduction
  - Student loan interest
  - Educator expenses
  - Health Savings Account contributions

*Taxpayers can't use Direct File if they itemize deductions.*

## IRS Direct File Opportunities for VITA/TCE Sites

IRS Direct File provides taxpayers an opportunity to prepare and file their 2024 tax returns online for free.

For local VITA/TCE sites offering free tax preparation services to their communities in a state where IRS Direct File is offered, IRS Direct File should be viewed as another option for taxpayers in their community to receive free tax preparation services – not as competition to existing in-person and/or virtual service options.

IRS Direct File enables local VITA/TCE sites another service option that will expand opportunities in their communities. Acknowledging that each site has its own unique target population, the key for optimizing this additional service option is to identify which taxpayers currently served by your VITA/TCE sites would be good candidates for IRS Direct File. Once identified, you can tailor your outreach efforts accordingly.

Factors that VITA/TCE partners may wish to consider include:

- Determining if a taxpayer lived in one of the participating Direct File states for all of 2024,
- Ensuring that a taxpayer qualifies for Direct File based on the scope of the return, and
- Confirming that the taxpayer can complete their own return using IRS Direct File (based on their prior knowledge and/or experience completing their own return using a guided tool).

Based on the responses to these questions, partners may wish to consider targeted outreach strategies (e.g., if access to technology among the target population is limited, partnering with a local library or including information where taxpayers could go to access free internet).

“Shifting” taxpayers with the capability of completing their own tax return to IRS Direct File will create more capacity for VITA/TCE sites to serve taxpayers who want or need the traditional in-person model. Additionally, SPEC will give ‘credit’ for partners that promote Direct File, as detailed below.

## IRS Direct File Education and Outreach by VITA/TCE Sites

SPEC encourages VITA/TCE partners and sites in the participating IRS Direct File states to educate local taxpayers about the free tax preparation opportunity that IRS Direct File presents in the 2025 Filing Season.

Additionally, VITA/TCE partners and sites are encouraged to promote the IRS Direct File opportunity as another avenue for taxpayers to access free tax preparation services.

VITA/TCE partners and sites are free to determine the best way to deliver IRS Direct File education and outreach information to taxpayers they serve. The possibilities include:

- Placing a link to the IRS Direct File site on your website
- Sharing educational/outreach materials at your VITA/TCE site

- Sharing educational/outreach materials via email, newsletters, etc.

See the resources section below for access to IRS Direct File materials for education and outreach efforts.

## IRS Direct File – VITA/TCE Partner Return Production Credit

Local VITA/TCE sites who take the opportunity to promote/market IRS Direct File as a free tax preparation option to taxpayers in their community will be able to receive “credit” from SPEC that can be used to determine overall production for Minimum Return Expectations (MRE) for VITA and TCE Grant reporting purposes.

Return credit production for VITA/TCE partners/sites will be determined based on the number of IRS Direct File returns filed by taxpayers who were referred to Direct File via VITA/TCE partners. After filing the Direct File return, taxpayers will be asked to complete a survey on their experience. The survey contains a question on how they were referred to Direct File. Partners should advise taxpayers to indicate that they were referred by a VITA/TCE partner.

Once a determination is made about the number of VITA/TCE-referred taxpayers who completed a tax return using IRS Direct File, an allocation will be made to provide “credit” to participating VITA/TCE partner/sites based on which zip codes/counties the participating VITA/TCE sites serve on a routine basis.

VITA/TCE partners/sites will need to contact their local SPEC Relationship Manager to indicate their participation in IRS Direct File education and/or outreach efforts in order to be included in the allocation computation of IRS Direct File production reports.

## IRS Direct File Resources

Additional information on the IRS Direct File program – as well as more information on marketing/outreach materials can be obtained by visiting the following sites:

- **Welcome to Direct File | Direct File | Internal Revenue Service**
- **IRS Direct File | Internal Revenue Service**
- IRS YouTube video: **File for free with IRS Direct File**
- **Publication 5916**, File for free with IRS Direct File
- **Publication 5917**, IRS Direct File - What you need to Know
- **Publication 5949**, Helpful tips to prepare you for IRS Direct File
- **Publication 5952**, Are you ready to file with IRS Direct File?
- **Publication 6036**, IRS Direct File Outreach Guide
- **IR-2024-258, Oct. 3, 2024**: IRS Direct File set to expand availability in a dozen new states and cover wider range of tax situations for the 2025 tax filing season