

GAO Highlights

Highlights of [GAO-22-105236](#), a report to congressional requesters

Why GAO Did This Study

IRS and FFI offer free tax filing services to a large majority of taxpayers. Historically, IRS had agreed that it would not develop its own online filing services in exchange for the participating companies offering free services to eligible taxpayers.

GAO was asked to examine the Free File program. This report (1) describes demographic characteristics of Free File users; (2) evaluates IRS's oversight of taxpayer experience provisions; and (3) identifies key challenges and alternative approaches that may exist for IRS to help taxpayers file online at no cost.

GAO analyzed IRS data; evaluated IRS's oversight of agreements with FFI and compared these to federal digital service guidelines; reviewed IRS documents and studies; and used interviews with selected authors of studies (called stakeholders) and IRS officials to inform the analysis.

What GAO Recommends

GAO is making three recommendations to IRS, including that it add relevant practices from federal guidelines into its next agreement with FFI, and that it identify and develop additional options for free online filing by the time the current Free File agreement expires. IRS agreed with the recommendation to add relevant practices to improve the taxpayer experience into the next FFI agreement. IRS did not agree with the other recommendations, including that it develop additional free filing options. GAO maintains that developing such options would help mitigate risks identified with the Free File program.

View [GAO-22-105236](#). For more information, contact James R. McTigue, Jr. at (202) 512-6806 or mctiguej@gao.gov.

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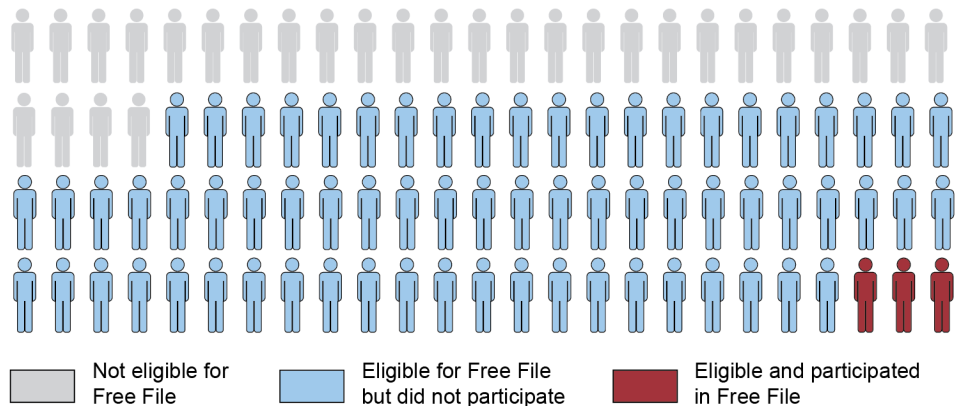
IRS FREE FILE PROGRAM

IRS Should Develop Additional Options for Taxpayers to File for Free

What GAO Found

Taxpayers whose incomes are below a certain threshold can use the Free File program provided by IRS and Free File, Inc. (FFI), a consortium of tax preparation companies, to electronically prepare and file their federal tax returns for free. GAO found that the vast majority of taxpayers eligible for the program used other filing methods, which they may have paid to use. Of those who did use the program, 44 percent had an adjusted gross income of \$17,000 or less.

Individual Taxpayers' Filing Methods for Tax Year 2020



Source: GAO analysis of IRS data. | GAO-22-105236

IRS and FFI have an agreement that governs the program, including provisions intended to improve the taxpayer experience. IRS checks the companies' compliance with this and certain other provisions. GAO compared the current Free File agreement with federal guidelines for digital services and found differences. Through negotiation between IRS and FFI, opportunities may exist to better align the current agreement with the federal guidelines, such as ensuring access for taxpayers with disabilities.

IRS and FFI recently extended the current agreement to October 2023; however, short-term extensions have not addressed mounting challenges. For example, two large companies recently left the program with one citing the taxpayer experience requirements. IRS data through most of the 2022 filing season shows that fewer taxpayers are using the program in the year following the departure of one of these companies last year. Stakeholders had different views on whether maintaining the current program or IRS developing its own online filing system would provide a better experience for taxpayers. Regardless, IRS is not managing the risk of relying on the Free File program as the way it helps taxpayers file for free online. Under the terms of the agreement, individual companies can leave the Free File program at any time, and FFI can end the program if IRS develops a system of its own. By not managing these risks through the development of additional free online filing options for taxpayers, IRS may be unable to achieve its strategic goal to empower all taxpayers to meet their tax obligations.