



Press Release

Design and Cost Considerations in Free-file Tax Systems

PAULINA ENCK | FEBRUARY 7, 2023

The Inflation Reduction Act provided \$79 billion to the Internal Revenue Service, including \$15 million to study options on how to develop a “free direct efile” tax filing system. In new research, Director of Fiscal Policy Gordon Gray walks through the costs and policy implications of a “return free” tax filing system to determine whether it would truly reduce overall tax compliance burdens.

Key points:

- A simplified or potentially “return free” tax filing system may be feasible for taxpayers with simple tax situations; however, due to the complexity of the tax code, estimates from the literature suggest that such a system risks being infeasible or unappealing for most taxpayers.
- A new system would nevertheless require new resources to run in parallel with the existing tax-filing system.
- On net, relatively low participation, additional burdens on third parties, and additional administrative costs could exceed the modest compliance savings realized by some taxpayers.

[*Read the analysis*](#)