

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program**

September 30, 2024

Report Number: 2024-400-067

## HIGHLIGHTS: Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program

Final Audit Report issued on September 30, 2024

Report Number 2024-400-067

### Why TIGTA Did This Audit

In February 2020, TIGTA reported that the complexity, confusion, and lack of taxpayer awareness about the operation and requirements of the IRS Free File Program are contributing reasons why many eligible taxpayers do not participate in the Program.

The overall objective of this review was to follow up on the IRS's efforts to improve the Free File Program, focusing on additional taxpayer safeguards as well as actions the IRS has taken to improve testing and monitoring of compliance with program participation requirements.

### Impact on Tax Administration

The Free File Program is a public-private partnership between the IRS and a consortium of tax preparation software companies (hereafter referred to as partners) that provides free electronic preparation and filing of Federal tax returns for taxpayers, focusing on underserved and disadvantaged populations. As noted on IRS.gov, the IRS informs taxpayers that their information is protected from unauthorized access while it is sent to the IRS and that partner companies may not disclose or use tax return information for purposes other than tax preparation without informed and voluntary consent.

The IRS has the authority and responsibility to manage the Free File Program. This includes assessing the potential risks to the Program's reputation and risks to taxpayers whose personal information may be shared without consent.

### What TIGTA Found

The IRS does not have sufficient oversight of the Free File Program partners to ensure that they are meeting all requirements to protect tax return data from unauthorized disclosure for taxpayers filing returns through the Free File Program. Several companies have been sanctioned by the Federal Trade Commission for an unauthorized disclosure of taxpayer information while also participating in the IRS Free File Program. However, IRS Free File Program management has noted that they would not consider allegations of wrongdoing as a reason to remove a partner from the IRS Free File Program. Free File Program management also noted that the IRS has never exercised its right to remove a partner from the Free File Program.

In addition, the IRS's oversight actions relating to privacy and security are limited. The IRS Free File Program team is not reviewing the privacy disclosures of its participating partners to determine if those disclosures comply with what is authorized by Internal Revenue Code § 7216.

Moreover, while eligible taxpayers exercise their right to choose an option to electronically file, the IRS has not implemented any effective solutions to increase taxpayer participation in the Free File Program. An analysis of individual tax returns filed during Processing Years 2020 through 2024 confirmed that on average, only 3 percent of the eligible taxpayer population are using the Free File Program. TIGTA continues to find that despite the IRS's efforts, there is little impact made on the usage of the Free File Program.

Finally, additional actions need to be taken to fully address prior concerns reported by TIGTA. For example, the IRS needs to ensure that its provision testing addresses compliance with all Memorandum of Understanding requirements for participating partners.

### What TIGTA Recommended

TIGTA made seven recommendations that will help the IRS improve its oversight of and increase participation in the Free File Program. These recommendations include: determining if any Program partners have been identified or sanctioned for an unauthorized disclosure of taxpayer information; annually reviewing Free File Program partners' privacy disclosures and taxpayer consents to ensure compliance with regulations; and, determining if the IRS can request that Free File Program partners participate in a shared responsibility of promoting the Program.

The IRS agreed with six recommendations and plans to determine if partners have been sanctioned for unauthorized disclosures and review partners' privacy disclosures and taxpayer consents as part of its Free File Pre-filing Season Checklist. However, the IRS disagreed with determining whether it can request Free File partners to participate in shared responsibility of promoting the Program. TIGTA believes that shared responsibility promoting the Free File Program aligns with the intent of the original Free File agreement, signed in 2002.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**  
**WASHINGTON, D.C. 20024**

September 30, 2024

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Danny R. Verneuille  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Improvements Are Needed to Ensure Oversight of  
and Increase Participation in the Free File Program  
(Audit No.: 202340028)

This report presents the results of our review to follow up on the Internal Revenue Service's (IRS) efforts to improve the Free File Program, focusing on additional taxpayer safeguards as well as actions the IRS has taken to improve testing and monitoring of compliance with program participation requirements. This review is part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Taxpayer Service*.

Management's complete response to the draft report is included as Appendix IV. If you have any questions, please contact me or Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services).

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## Background

The Free File Program is a public-private partnership between the Internal Revenue Service (IRS) and a consortium of tax preparation software companies (hereafter referred to as partners) that provide free electronic preparation and filing of Federal tax returns for taxpayers, focusing on underserved and disadvantaged populations.<sup>1</sup> Figure 1 outlines the Free File Program objectives.

**Figure 1: Free File Program Objectives**



Source: Treasury Inspector General for Tax Administration (TIGTA)-generated graphic based on the Free File Program Management Plan from January 2023.

The Free File Program provides two ways for taxpayers to prepare and file their Federal income tax return online for free.

- **Guided Tax Preparation** provides free online tax preparation and filing at an IRS partner site. The partners deliver this service at no cost to qualifying taxpayers whose adjusted gross income is equal to or below the established amount for each tax year.<sup>2</sup> This free filing option is targeted at 70 percent of individual taxpayers based on adjusted gross income. For Tax Year 2023, taxpayers whose adjusted gross income is \$79,000 or less qualified for a free Federal tax return and the option to file a free State return, depending on the taxpayer's State and selected provider offer.
- **Free File Fillable Forms** are electronic Federal tax forms, equivalent to a paper Form 1040, *U.S. Individual Income Tax Return*.<sup>3</sup> Free File Fillable Forms are available to taxpayers of all income levels, at no-cost, but have program and form limitations. Free Fillable Forms do not support State tax return preparation and electronic filing (e-file), and the utility does not provide prior year return information for returning users.

<sup>1</sup> The Free File Program was initiated in 2002 to help increase the electronic filing (e-file) rate to 80 percent for individual taxpayers. The IRS has since exceeded this goal. As of December 29, 2023, the IRS reported an e-file rate of 92.6 percent (approximately 150 million returns) for individual tax returns.

<sup>2</sup> See Appendix V for a glossary of terms.

<sup>3</sup> IRS Free Fillable Forms was introduced in 2009 at the National Taxpayer Advocate's request to ensure that all taxpayers can e-file without cost.

Taxpayers should know how to prepare their own tax return using form instructions and IRS publications if needed.

### **Free File Program Memorandum of Understanding**

A Memorandum of Understanding (MOU) outlines the roles and responsibilities in this partnership. The IRS first negotiated and signed an MOU for the Free File Program in January 2006.<sup>4</sup> Since then, several updates have been made to this agreement. The MOU is renegotiated when the prior MOU is going to expire or when the IRS and/or the partners believe a change is needed.

In December 2023, the IRS entered the ninth MOU, and as of April 2024, the agreement was extended until October 31, 2029. It includes provisions intended to raise taxpayer awareness of the Free File Program, ensure that taxpayer return information is secure and privacy is maintained, and allow taxpayers to provide feedback on their experience and satisfaction with the Free File Program. Figure 2 provides a timeline of the MOU and subsequent updates.

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<sup>4</sup> Although the effective date of the first MOU was January 24, 2006, an agreement was established on October 30, 2002, between the IRS and an alliance of companies in the electronic tax return preparation and filing industry, with a three-year term expiring on October 30, 2005.

**Figure 2: Timeline and Summary of Subsequent MOU Updates**

Subsequent MOU Updates	Summary of MOU Content and Key Provision Updates
<ul style="list-style-type: none"> <li>January 2007</li> </ul>	Included the authority to remove a member from the program if its percentage of e-filed tax returns fell below the IRS's minimum acceptance rate of 60 percent.
<ul style="list-style-type: none"> <li>January 2008</li> </ul>	Included requirements for members to implement security features on their websites.
<ul style="list-style-type: none"> <li>January 2009</li> </ul>	Included provisions for members to include a core list of tax forms and schedules in their software.
<ul style="list-style-type: none"> <li>November 2009</li> </ul>	Included security requirements and increased the minimum IRS e-file acceptance rate to 75 percent.
<ul style="list-style-type: none"> <li>May 2014</li> </ul>	Updated to allow the IRS and the partners' Executive Director to annually revise the MOU to provide structure for their respective roles.
<ul style="list-style-type: none"> <li>March 2015</li> </ul>	Included a requirement for the IRS to promote the Free File Program in its media and social networking activities.
<ul style="list-style-type: none"> <li>October 2018</li> </ul>	Included provisions to better protect taxpayers.
<ul style="list-style-type: none"> <li>December 2019</li> </ul>	Included provisions to initiate customer satisfaction surveys, establish rules for online search practices, and allow unqualified taxpayers to return to IRS.gov during the return preparation process.
<ul style="list-style-type: none"> <li>December 2020</li> </ul>	Extended the terms of the 2018 agreement an additional year.
<ul style="list-style-type: none"> <li>December 2021</li> </ul>	Extended the terms of the 2018 agreement an additional year.
<ul style="list-style-type: none"> <li>January 2023</li> </ul>	Extended the terms of the 2018 agreement two additional years and adjusted the qualifying Adjusted Gross Income to equal to or less than \$73,000.
<ul style="list-style-type: none"> <li>March 2023</li> </ul>	For Tax Year 2022, participating Free File Program partners could make their services available to 55 percent of the individual taxpayer population, instead of the previous 50 percent limit.
<ul style="list-style-type: none"> <li>December 2023</li> </ul>	Incorporated all changes made in previous addendums and extended the terms of the 2018 agreement for two years, ending in October 2025.
<ul style="list-style-type: none"> <li>April 2024</li> </ul>	Extended the terms of the 2023 agreement through October 2029.

Source: TIGTA analysis of MOU updates.

The IRS Free File Program team, which reports to the IRS's Taxpayer Services, is responsible for the administration of the Free File Program. The group conducts reviews, called Pre- and Mid-filing Season Web and Software Reviews, to determine if Free File partners' software and Free File web pages comply with MOU requirements. Any deficiencies identified during the

Pre-filing Season reviews are corrected and tested before the start of the filing season. Subsequent reviews are conducted to ensure compliance with the MOU throughout the filing season.

### Prior reviews of the Free File Program

The Free File Program has also been the subject of review by the IRS Advisory Committee (IRSAC), the Electronic Tax Administration Advisory Committee (ETAAC), the National Taxpayer Advocate (NTA), and the Government Accountability Office (GAO).<sup>5</sup> For example:

- Both the IRSAC and the ETAAC reported that opportunities exist to promote increased awareness of the Free File Program.<sup>6</sup>
- In its 2018 Annual Report to Congress, the NTA listed the Free File Program as one of its most serious problems noting that the Free File Program provides limited services and is used only by a small percentage of eligible taxpayers.<sup>7</sup>

### TIGTA's follow-up review of the Free File Program

We previously reported that the complexity, confusion, and lack of taxpayer awareness about the operation and requirements of the Free File Program are contributing reasons why many eligible taxpayers do not participate in the Program.<sup>8</sup> We made nine recommendations to improve the IRS's oversight of the Free File Program. These included that the IRS:

- Develop and implement a comprehensive outreach and advertising plan to inform eligible taxpayers about the Free File Program and how to participate.
- Inform taxpayers of their rights and protections in the Free File Program.
- Develop a process for taxpayers to provide feedback or concerns regarding their experience using Free File.

In June 2022, congressional stakeholders requested that we look into deceptive practices by companies that participate in the Free File Program. In our July 2022 response, we provided congressional stakeholders with the results of our prior review and noted that we planned to initiate a follow-up review of the Free File Program. This review assesses the actions management has taken to address our prior concerns relating to program oversight of taxpayer privacy and security, program adherence to the MOU between the IRS and the Free File partners, outreach efforts, and customer satisfaction. Appendix II contains detailed information of the prior concerns and recommendations made for the Free File Program.

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<sup>5</sup> The IRSAC serves as an advisory body to the Commissioner of Internal Revenue and provides an organized public forum for discussion of relevant tax administration issues between IRS officials and representatives of the public. The ETAAC's primary purpose is to provide continued input into the development and implementation of the IRS's strategy for electronic tax administration. The ETAAC researches, analyzes, considers, and makes recommendations on a wide range of electronic tax administration issues.

<sup>6</sup> IRS Publication 3415, *Electronic Tax Administration Advisory Committee Annual Report To Congress* (Rev. 6-2023), and IRS Publication 5316, *Internal Revenue Service Advisory Council Public Report* (11-2018).

<sup>7</sup> Taxpayer Advocate Service, *2018 Annual Report to Congress* (February 2019).

<sup>8</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).



## **Results of Review**

### **The Free File Program Has Not Taken Sufficient Action to Address Recent Concerns Relating to the Security of Taxpayer Data**

The IRS does not have sufficient oversight of the Free File Program partners to ensure that they are meeting all requirements to protect tax return data from unauthorized disclosure for taxpayers filing returns through the Program.<sup>9</sup> The Free File Program operates as a trusted partnership with its partners to provide a safe, free e-file service to taxpayers. On IRS.gov, the IRS informs taxpayers that their information is protected from unauthorized access while it is sent to the IRS and that partner companies may not disclose or use tax return information for purposes other than tax preparation without informed and voluntary consent. However, the Free File Program acknowledges that the IRS cannot monitor its partners' software and their use of taxpayer data and information because these are not Federal systems. Although the IRS may be unable to monitor the partners' systems and use of taxpayer information, it does have the authority and responsibility to manage the Free File Program. This includes assessing not only the potential risks to the Program's reputation, but also the potential risks to taxpayers whose personal information may be shared without consent. In these instances, the IRS should take actions accordingly to address these risks.

#### **Free File Program partners sanctioned for unauthorized disclosure of taxpayer information**

During this review, we identified that several companies have been sanctioned for an unauthorized disclosure of taxpayer information while also participating in the Free File Program. For example:

- In 2017, the Federal Trade Commission charged a current participating partner of the Free File Program with violating the Gramm-Leach-Bliley Act's safeguard and privacy rules for not developing a security program, implementing information security programs that would prevent a cyberattack, and delivering privacy notices.<sup>10</sup> The charge was settled and as part of the settlement, the company was prohibited from violating the privacy and safeguard rules of the Gramm-Leach-Bliley Act for 20 years and is required for 10 years to obtain biennial third-party assessments of its compliance with these rules.
- In 2023, the Federal Trade Commission warned five tax preparation companies that they could face civil penalties if they use or disclose confidential data collected from individuals during tax preparation for other unrelated purposes, such as advertising, without first obtaining their consent. Four of these five tax preparation companies are either current or past partners in the Free File Program.

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<sup>9</sup> See Appendix III for more information on statutory authorities for taxpayer protections.

<sup>10</sup> Public Law No. 106-102 (1999). The Gramm-Leach Bliley Act safeguard rule requires financial institutions to implement safeguards to protect the security, confidentiality, and integrity of customer information, and the privacy rule requires financial institutions to deliver privacy notices to customers. A current partner means that they participated in the IRS's Free File Program for Filing Season 2024.

- In 2024, a current Free File partner reached a class action settlement in district court for \$14.9 million for claims that it violated privacy and tax laws when sharing confidential financial data with big technology companies without taxpayers' consent. The settlement agreement notes that the tax preparation company denies that it engaged in any wrongdoing; however, it agreed to resolve the issue for the purposes of settlement and to eliminate further litigation.

Further, in July 2023, a congressional report indicated both past and current Free File Program participant companies were identified as entities that provided taxpayer return data using web analytics to big technology companies.<sup>11</sup> The report noted a current participating partner of the Free File Program indicated that it shared all the same information for its Free File users because "for purposes of website analytics, the company does not differentiate between the paid and Free File services."<sup>12</sup>

When we discussed these concerns with IRS Free File Program management, they noted that they would not consider allegations of wrongdoing as a reason to remove a partner from the IRS Free File Program. MOU provision 4.7.2, *Hacker Attacks and Attempts at Intrusion on Member Websites*, allows the IRS to shut down and/or remove the link to the partner's Free File website if the IRS believes, based on objective information, an unauthorized disclosure of taxpayer information has occurred, or a threat of disclosure exists. Objective information includes but is not limited to, copies of screens containing unauthorized taxpayer information. Further, if a complaint or allegation is supported by additional facts, it meets the definition of "objective information." Per the MOU, objective information is not merely a complaint or allegation by a taxpayer or third party that an unauthorized disclosure has taken place. However, such a complaint or allegation, when supported by additional facts, can become the necessary objective information.

According to IRS Free File Program management, they have never exercised the provision to remove a partner from the Free File Program because there have been no reported issues requiring a partner's removal. Management also confirmed that they did not evaluate any of the instances identified previously to determine if any actions are needed. According to the IRS Office of Chief Counsel, MOU provision 4.7.2. is intended to protect taxpayers against external data breaches and not data sharing. Thus, it would be unlikely that the IRS would exercise the right to remove a partner from the IRS Free File Program if the member's data-sharing practices are inconsistent with Internal Revenue Code (I.R.C.) § 7216.

In our discussions with the IRS Free File Program team, we suggested that as an oversight action, at the beginning of each filing season, the IRS should determine whether a partner is under notice or litigation for privacy- and security-related matters and document the potential risk to the Free File Program. IRS management agreed with this proposed action but noted that even if a partner were under scrutiny by an agency, such as the Federal Trade Commission, the IRS would wait until the issue is resolved. Even though some of these privacy concerns may be allegations or not yet settled, the IRS should still exercise its oversight authority and document

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<sup>11</sup> *Attacks on Tax Privacy: How the Tax Prep Industry Enabled Meta to Harvest Millions of Taxpayers' Sensitive Data* (July 2023).

<sup>12</sup> In September 2023, TIGTA responded to congressional inquiries noting that we were unable to determine how many taxpayers had their data shared through e-filing by tax preparation companies and that that information would have to be obtained from those companies. We also noted in our response that the IRS does not know which taxpayers had their information transmitted.

its decisions to allow a partner to continue in the Free File Program while awaiting a formal resolution.

### **The IRS's oversight actions relating to privacy and security are limited**

The Free File Program MOU includes specific security requirements that must be met by partners and the IRS's oversight responsibilities to protect and secure taxpayer data. For example, Free File partners must:

- Provide appropriate documentation to the IRS demonstrating third-party security and privacy certificates, which are applicable to the period the company is actively listed on the IRS's Free File website. However, the IRS Free File Program does not evaluate the contents of the security and privacy certifications when they are received. During our discussions with the IRS, management noted that all e-file providers, including those participating in the IRS Free File Program, must have privacy and safeguard policies consistent with the applicable government and industry guidelines. The IRS relies on third-party privacy seals and internal reviews of the website and software to ensure the provider's compliance with these policies. The IRS considers partners compliant with security and privacy requirements if they are certified and have a privacy seal by an approved vendor.<sup>13</sup> Participants can provide a self-assessment of compliance to the third-party vendors.
- Only use or disclose tax return data in accordance with I.R.C. § 7216. The IRS Free File Program team will check that the privacy disclosures are on the Free File partners' websites; however, they do not review the privacy disclosures in any capacity and noted that the team lacks the technical and legal background to perform such reviews. Our review of the privacy disclosures for the eight partners for the 2024 Filing Season found that all disclosures list third-party sharing with consent and either tracking technologies or social media widgets in their software programs. The IRS Office of Chief Counsel noted that taxpayers should be free to consent to any data sharing they want, including social media widgets. However, Treasury Regulation § 301.7216-3, *Disclosure or use permitted only with the taxpayer's consent*, indicates that these consents must identify the intended purpose of the disclosure and the specific recipients of the tax return information.

While we agree that taxpayers can willingly consent to data sharing, we believe that as an oversight function of the IRS Free File Program, the IRS should annually review the Free File Program partners' taxpayer consents to ensure that the format and content of any written consents required from taxpayers comply with Treas. Reg. 301.7216-3 and other relevant IRS guidance. We are conducting a separate review of the IRS's processes for determining the eligibility of applicants seeking and continuing participation in the Authorized e-file Provider Program. In addition, that review is assessing the IRS's processes for ensuring that online providers are following the guidance for the use and disclosure of taxpayer tax return information.<sup>14</sup> Given that the IRS has a role to protect the integrity of the Nation's tax system, including to protect the information of taxpayers, specifically the underserved and underprivileged that are served by the Free File Program, we believe the IRS should be taking

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<sup>13</sup> A privacy seal gives consumers assurance that a website is abiding by its posted privacy policy.

<sup>14</sup> TIGTA, Audit No. 202340018, *Suitability Checks for Participation in IRS Programs - Follow-Up*.

actions to address these potential concerns. Instead, the IRS relies on privacy seal vendors to ensure providers' compliance with these policies.

The Chief, Taxpayer Services, should:

**Recommendation 1:** At the start of each filing season, determine if any Free File Program partners have been identified or sanctioned for an unauthorized disclosure of taxpayer information and document actions taken to mitigate the potential risk to the Program.

**Management's Response:** IRS management agreed with the recommendation and as part of the Free File Pre-filing Season Checklist, will determine if any Free File Program partners have been identified or sanctioned for an unauthorized disclosure of taxpayer information and document actions taken to mitigate the potential risk to the Program.

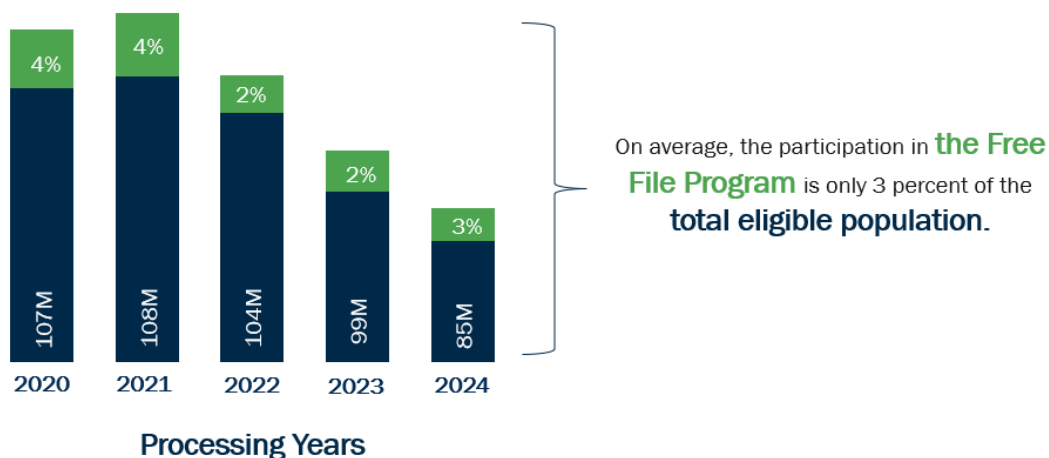
**Recommendation 2:** Identify IRS personnel with the appropriate technical expertise to review the participating partners' privacy disclosures and taxpayer consents each filing season to evaluate whether the format and content of written consents complies with Treas. Reg. 301.7216-3 and other IRS guidance.

**Management's Response:** IRS management agreed with the recommendation and as part of the Free File Pre-filing Season Checklist, will review participating partners' privacy disclosures and taxpayer consents each filing season and evaluate their compliance.

### **The IRS Has Not Implemented Any Effective Solutions to Increase Taxpayer Participation in the Free File Program**

Our analysis of individual tax returns filed during Processing Years 2020 through 2024 confirms that on average, only 3 percent of the eligible taxpayer population are using the Free File Program. Moreover, the IRS noted that the Free File Program has experienced static growth, stabilizing around 3 million returns a year since the Program's beginning in 2003. Figure 3 depicts the percentage of eligible taxpayers who filed their tax return using the Free File Program.

**Figure 3: Free File Program Usage Rates From Processing Years 2020 Through 2024**



*Source: Modernized Tax Return Database extract for Processing Years 2020 through 2024, rounded figures used.*

The IRS Commissioner has noted that the IRS is committed to supporting the taxpayer's choice in how they file their taxes and will ensure that taxpayers have options that work best for them to fulfill their tax obligations. Further, in May 2024 testimony, the Commissioner noted that taxpayers are not taking advantage of free file options (either through the Free File Program or the Direct File Pilot) and that the IRS must increase its outreach to taxpayers on their options to file.<sup>15</sup> However, the IRS Free File Program team has noted that although they have implemented numerous awareness campaigns in prior years, including a limited paid advertising budget that expired in 2015, none have successfully grown the Free File Program.

### **Additional awareness efforts could increase Free File Program participation**

In February 2020, we reported that the IRS has not taken sufficient actions to increase awareness of the Free File Program.<sup>16</sup> We continue to find that despite the efforts put forth by the IRS, there is little impact made on the usage of the Free File Program. As such, additional efforts are needed to promote the program if the IRS would like to see an increase in usage. During this review, we found:

<sup>15</sup> *Written Testimony of Daniel Werfel, Commissioner, Internal Revenue Service Before the House Committee on Appropriations, Subcommittee on Financial Services and General Government on the President's Fiscal Year 2025 IRS Budget Request* (May 7, 2024).

<sup>16</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).

- **The Free File Program could leverage social media to advertise to a broader audience.**

According to the MOU, the IRS is responsible for the promotion of the Free File Program. However, the Free File Program does not include in its budget funds for marketing or advertising activities. IRS management indicated that the IRS no longer has a separate budget for Free File Program advertising because the IRS has met its targeted e-filing rates. However, I.R.C. § 6011(f) allows the Secretary to promote the benefits of and use of electronic tax administration programs through mass communications and other means that would justify the use of existing appropriated funds. Therefore, according to the IRS Office of Chief Counsel, using appropriations to advertise the Free File Program would be permissible because it falls under the purposes of the Taxpayer Services appropriation. Currently, the IRS engages in sharing free content, for example, on IRS.gov or on its social media platforms. This means that messages are only reaching the followers on the specific platforms.



The IRS's Social Media Branch has noted that each year, social media followers are increasing; therefore, its messaging is reaching more taxpayers. Specifically, the number of social media followers has increased from 1.02 million followers at the beginning of Fiscal Year 2021 to 1.67 million followers at the beginning of Fiscal Year 2024, indicating a 64 percent increase in followers.<sup>17</sup> However, this pales in comparison to the eligible taxpayer population that the IRS could be reaching with its social media messages if it paid to distribute its content to a broader audience on social media platforms.

- **Although the IRS implemented communication plans to promote the Free File Program, its strategies remain the same and cannot be associated with increased participation levels.** In February 2020, we recommended and the IRS agreed to develop a comprehensive communication plan that will identify additional outreach avenues.<sup>18</sup> As noted in our prior report, the IRS promotes the Free File Program through news releases, tax tips, fact sheets, social media, and IRS.gov. For example, the IRS issued 1,351 posts or videos about the Free File Program and developed key messages to target taxpayers qualifying for Free File, with a focus on the core audiences – first-time filers, college students, active-duty military, struggling families, seniors, *etc.* However, the IRS continues to use these same strategies for its communication and no additional avenues have been identified by the IRS Free File Program team to promote the Program.

Additionally, the communication plans do not include any measures, either qualitative or quantitative, to determine whether the IRS's outreach has any impact on increasing the Free File Program participation rate. When we asked why, a representative from the IRS

<sup>17</sup> Metrics were provided by the IRS Social Media Branch as of the beginning of the fiscal years (October 1). The number of followers could be inflated if an individual follows multiple IRS social media platforms.

<sup>18</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).



Communications and Liaison office stated that the IRS cannot directly attribute an increased participation in the Free File Program to the communication plans.

We believe the IRS needs to explore additional ways to reach eligible taxpayers, such as mailers, e-mails, and text messaging to eligible taxpayers. Moreover, the IRS needs to determine if these new avenues can be tracked and associated with increased participation.

- **The IRS has not taken any action to negotiate with its participating partners a shared responsibility for advertising and outreach to increase participation.** In 2018, the IRSAC recommended that the IRS require its Free File partners to spend a certain percentage of their membership dues for advertising and promotion.<sup>19</sup> In February 2020, we reported that the IRS agreed that the Free File partners should invest more resources to advertise and promote the Program, and management stated that they would begin a dialogue with their partners. We also noted that no formalized strategy was developed by the IRS to outline specific actions to be taken.<sup>20</sup>

When we followed up with IRS management about the IRSAC recommendation, management noted that they never approached their partners about shared responsibility for advertising and were uncertain whether they can require partners to pay for advertising on behalf of the Free File Program. Instead, as part of increasing awareness, MOU provision 4.32.4, *Email Communication with Free File Taxpayers*, states that the partners are required to send prior Free File users e-mails at the start of the filing season to encourage them to file again through the Free File Program. This action only ensures that existing Free File Program participants continue to use Free File and does not help to increase overall participation.

According to MOU provision 4.35, *Promotion of the Free File Program*, the IRS is responsible for promoting the Free File Program. The provision also notes that a partner's participation in the Program does not impose on the partner any marketing or other obligation regarding the IRS Free File Program. Although the current MOU does not impose any marketing obligations on partners, we believe the IRS and Free File Program partners should share the responsibility to promote the Free File Program, as originally recommended by the IRSAC over five years ago.

The Chief, Taxpayer Services, should:

**Recommendation 3:** Evaluate the feasibility of using additional avenues (such as letters, text messaging, and e-mails) to reach eligible Free File Program taxpayers. This should include determining if any of these avenues can be associated with increased participation.

**Management's Response:** IRS management agreed with the recommendation and will evaluate the feasibility of using additional avenues to reach eligible Free File Program taxpayers, including determining if those avenues are associated with increased participation.

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<sup>19</sup> IRS Publication 5316, *Internal Revenue Service Advisory Council Public Report* (11-2018).

<sup>20</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).

**Recommendation 4:** Identify and incorporate appropriate qualitative and quantitative measures into the Free File Program communication plan that allow for evaluating the effectiveness of outreach efforts.

**Management's Response:** IRS management agreed with the recommendation and will continue to use available communications channels to promote Free File and will identify and incorporate any available measures into the communications planning process.

**Recommendation 5:** Consult with IRS Office of Chief Counsel to determine if the IRS can request the Free File Program partners to share responsibility for promoting the Program. If they can, the IRS should negotiate the terms with its Free File partners and revise the MOU accordingly.

**Management's Response:** IRS management disagreed with the recommendation stating that the Free File partners offer their software solutions for free to the IRS Free File Program. Requesting partners to fund a communication plan or promotion campaign is not in alignment with the MOU objectives.

**Office of Audit Comment:** We acknowledge in our report that the current MOU does not impose any marketing obligations on partners. Our recommendation is for the IRS to consult with the IRS Office of Chief Counsel to determine if future MOUs can be revised to include shared marketing responsibilities that will help raise awareness and increase participation in the Free File Program. We believe that shared responsibility promoting the Free File Program aligns with the intent of the original Free File agreement, signed in 2002, and addresses a prior IRSAC recommendation.

**Recommendation 6:** Allocate funding to promote the Free File Program.

**Management's Response:** IRS management agreed with the recommendation and will consider funding allocation options in future budgets, taking into account the Treasury Secretary's commitments and Administration guidance. However, IRS management noted that funding for the IRS is determined and appropriated by Congress and, in the vacuum of not knowing what appropriated funding and operational needs will be in the future, they cannot commit to the recommended allocation.

### **Additional Actions Are Necessary to Address Prior Agreed Recommendations**

As part of our review, we followed up on prior recommendations relating to customer satisfaction, program oversight, and adherence to the MOU between the IRS and partners and found that additional actions need to be taken to fully address our concerns.

### **Although the IRS's prior corrective actions did not meet their intended purpose, the IRS continues to find solutions for taxpayers to express concerns and provide feedback**

We previously reported that taxpayers did not have a way to provide feedback or report concerns about the Free File Program and that the IRS did not conduct customer satisfaction



surveys to identify improvements to the Free File Program.<sup>21</sup> We recommended and the IRS agreed to develop a process for taxpayers to provide feedback or concerns and that the IRS work with its partners to conduct customer satisfaction surveys to identify improvements that can be made to the Free File Program. While the IRS took corrective actions, those actions did not meet the original intent of our prior recommendations. As such, the IRS needs to ensure that moving forward, it continues to gain customer insight to make improvements to the Free File Program. Specifically, we found that:

- **Free File Program partner surveys do not provide meaningful observations for program improvement.** The MOU states that Free File Program partners will provide support to accomplish taxpayer customer satisfaction surveys. However, these surveys do not provide meaningful observations on ways to improve the Free File Program. Specifically, the surveys ask two questions about if the taxpayer would use the Program again and if they would recommend the Free File Program to someone else. The results from the surveys completed between Filing Seasons 2020 and 2023 showed the following:
  - 98 percent (25,511 out of 26,097) of taxpayers surveyed responded that they would use the Program again.
  - 82 percent (21,534 out of 26,197) of taxpayers surveyed responded they would recommend the Free File Program.

Although the IRS began receiving feedback from Program participants, this feedback does not provide any meaningful insight that will help improve the Free File Program.

- **The IRS Free File Program continues to find solutions for taxpayer feedback and program improvement.** In addition to the partner surveys, IRS management established a dedicated mailbox, accessible from the Free File page, on IRS.gov for taxpayers to submit questions and to provide feedback on concerns or experiences from using the Free File Program. The mailbox remained in effect for two years and was discontinued at the end of the 2022 Filing Season. When we asked IRS management why they discontinued using the mailbox, they explained that the mailbox was not being used for its intended purpose. For example, 92 percent of the e-mails received in the Free File mailbox were not related to the Free File Program. Management indicated that taxpayers were using this mailbox to voice other concerns. This seems reasonable considering that this was during the time that the IRS was experiencing a backlog when processing tax returns due to the Coronavirus Disease 2019 Pandemic.

In lieu of the mailbox, the IRS started conducting an annual survey of Free File participants during Calendar Year 2023. During the 2023 Filing Season, the IRS received 2,576 responses. The survey allows respondents to report their concerns, the most common of which included that:

- The display of information was not clear and concise.
- The terms across the website were confusing.
- The eligibility for free Federal and State returns was difficult to determine.

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<sup>21</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).

- Taxpayers believed they were charged a fee for using Free File.

During our discussions with the IRS Free File Program management, they noted that results from the internal surveys as well as from other avenues are used to improve the taxpayer experience when using the IRS Free File Program. For example, the IRS Free File Program has used feedback to help make terms clearer on its website, identify which States are covered by each of their trusted partners, and create video content to describe and explain how to use these services.

### **Additional actions are needed to improve program oversight**

We previously reported that the IRS's Pre- and Mid-filing Season website and software reviews did not ensure partner compliance with four key MOU requirements that were established to protect taxpayers.<sup>22</sup> In addition, for three other requirements, the IRS's tests were insufficient to assess the partner's compliance. We recommended that the IRS update its *Adherence Testing Review Guide* to include the specific tests to be performed to assess compliance with MOU requirements and maintain documentation supporting the performance and results of these tests. IRS management partially agreed, noting they updated some of the testing requirements and that they would determine the feasibility and consideration of whether or how to test other identified requirements. We also recommended and the IRS agreed to conduct managerial reviews of the testing performed by the IRS Free File Program team.

We identified that the IRS has made improvements documenting its compliance reviews, as follows:

- The IRS Free File Program team retained screenshots of the website reviews of participating partners that support their Pre-and Mid-filing Season website and software reviews. The IRS retained screenshots for 66 (97 percent) of 68 of the website reviews that were completed from Filing Seasons 2020 to 2023 to review eligibility criteria on the participating partner's website.
- The IRS has conducted managerial reviews of the pre-season and mid-season website reviews conducted by the IRS Free File Program team. However, most of the managerial reviews did not contain the dates the reviews were completed, details on who conducted the review, or approving signatures. We brought this to the attention of the IRS Free File Program team, and they acknowledged and noted that they are continually improving the website review process and will continue to improve it.

Additionally, the IRS is still not reviewing all MOU provisions as part of its oversight efforts. During our review, we compared the IRS's website review guide to the December 2023 MOU and found that the website review covers 32 (47 percent) of the 68 requirements for partners as listed in MOU Article 4, *Standards of Practice*. In April 2022, GAO reported a similar concern relating to the provisions in the 2019 addendum to the MOU not being included in the IRS's compliance reviews and oversight efforts.<sup>23</sup>

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<sup>22</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).

<sup>23</sup> GAO, GAO-22-105236, *IRS Free File Program: IRS Should Develop Additional Options for Taxpayers to File for Free* (Apr. 28, 2022).

When we asked IRS management why their reviews did not cover every provision, they stated that not all provisions require action, or they may be one-time requirements. While we agree that some requirements do not need to be tested annually, we believe that the IRS Free File Program team needs to establish a method to ensure that all provisions of the MOU are being addressed each filing season. This could include listing the provisions, the frequency of which the requirement needs to be reviewed or reasons why the requirement cannot be reviewed, and how the IRS ensures adherence or testing of that provision, as applicable.

**Recommendation 7:** The Chief, Taxpayer Services, should develop a comprehensive MOU provision testing plan that ensures that all sections of the MOU (and addendums, as applicable) are being addressed each filing season. This should include noting which provisions cannot be reviewed along with an explanation why.

**Management's Response:** IRS management agreed with the recommendation and as part of the Pre-filing Season Checklist, will develop a comprehensive MOU provision testing plan that ensures that all sections of the MOU (and addendums, as applicable) are being addressed each filing season.

## Appendix I

### Detailed Objective, Scope, and Methodology

The overall objective of this audit was to follow up on the IRS's efforts to improve the Free File Program, focusing on additional taxpayer safeguards as well actions the IRS has taken to improve testing and monitoring of compliance with program participation requirements. To accomplish our objective, we:

- Determined whether the IRS implemented corrective actions to address prior TIGTA audit recommendations of the Free File Program.
- Identified the requirements for ensuring that taxpayer data are not subject to unauthorized disclosure and determined whether the IRS provides oversight to ensure that taxpayer data are protected from unauthorized disclosures by partners of the Free File Program.
- Identified the Free File Program partners and trends in the Free File Program participation rates during Filing Seasons 2020 through 2024.
- Identified actions taken by the IRS to increase awareness of the Free File Program during Filing Seasons 2020 through 2023.
- Identified actions taken by the IRS to improve the testing and monitoring of the requirements in the Free File Program MOU.
- Evaluated whether the Free File Program provides taxpayers with a communication medium to express their concerns with the services offered by the Program.

### **Performance of This Review**

This review was performed at the IRS's Taxpayer Services (formerly the Wage and Investment Division) offices in Atlanta, Georgia, and New Carrollton, Maryland, during the period October 2023 to June 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Diana Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services); Linna Hung, Director; Nina Hill, Audit Manager; Gwendolyn Gilboy, Lead Auditor; Tanya Boone, Senior Auditor; and Laura Christoffersen, Information Technology Specialist (Applied Research and Technology).

### **Data Validation Methodology**

During this review, we relied on data extracted from the Modernized Tax Return Database as of April 14, 2024, to obtain a population of individual tax returns that were filed during Processing Years 2020 through 2024. We then identified those returns that were eligible for the IRS Free File Program based on the specified adjusted gross income for each processing year. We identified tax returns filed through the Free File Program and those that were not. We ensured

that the files contained the data elements we requested and performed analyses to evaluate the validity and reasonableness of the data. In addition, we selected random samples from each extract and verified that specific data elements in the extracts were the same as the data captured on the host systems. We determined that the data were sufficiently reliable for purposes of this report.

### **Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: processes and procedures the IRS uses to oversee the Free File Program. We evaluated these controls by reviewing the MOU, pertinent legislation, and regulations; interviewing employees and management; meeting with representatives for the consortium of tax preparation software companies; evaluating the Free File Program team's website reviews and supporting documentation; and reviewing relevant documentation provided by the IRS.

## Appendix II

### Notable Prior Report Recommendations for the Free File Program

Report	Recommendations
<b>TIGTA 2020-40-009<sup>1</sup></b>	<p>TIGTA recommended that the IRS:</p> <ul style="list-style-type: none"> <li>• Develop and implement a comprehensive outreach and advertising plan to inform eligible taxpayers about the Free File Program and how to participate. This includes informing taxpayers that they must access the Program through IRS.gov to obtain a guaranteed free return filing.</li> <li>• Require partners to fully disclose all criteria on the IRS.gov Free File web page that taxpayers must meet to e-file their Federal tax return for free. This disclosure should also identify those specific return characteristics that will result in the taxpayer being charged.</li> <li>• Update the <i>Adherence Testing Review Guide</i> to include the specific tests to be performed to assess partner compliance with MOU requirements. This should include documentation to be maintained supporting the performance of these tests and the results of these tests.</li> <li>• Ensure that management performs quality reviews of MOU adherence testing that Free File Program analysts conduct on partners' websites and software.</li> <li>• Clearly inform taxpayers of their rights and protections in the Free File Program. These rights should be provided on the IRS's Free File web page as well as partners' Free File web pages.</li> <li>• Develop a process for taxpayers to provide feedback or concerns on their experience using Free File and inform taxpayers of this process by providing information on both the IRS's Free File web page and partners' Free File web pages.</li> <li>• Work with partners to develop procedures to conduct customer satisfaction surveys. In addition, develop procedures to analyze the survey results to identify improvements that can be made to the Program.</li> </ul>
<b>GAO-22-105236<sup>2</sup></b>	<p>The GAO recommended that the IRS:</p> <ul style="list-style-type: none"> <li>• Incorporate recommended taxpayer experience improvements and relevant practices from guidelines for Federal digital services.</li> <li>• Eliminate the MOU provision requiring the IRS to notify partners immediately if it commits funding to offer services for free to taxpayers.</li> </ul>

<sup>1</sup> TIGTA, Report No. 2020-40-009, *Complexity and Insufficient Oversight of the Free File Program Result in Low Taxpayer Participation* (Feb. 2020).

<sup>2</sup> GAO, GAO-22-105236, *IRS Free File Program: IRS Should Develop Additional Options for Taxpayers to File for Free* (Apr. 28, 2022).

## Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program

Report	Recommendations
	<ul style="list-style-type: none"> <li>Identify and develop additional options for free online filing before the current Free File agreement expires in October 2023.</li> </ul> <p>The GAO also reported that although the Free File Program management plan included most of the important program oversight tasks, it has not been updated to reflect new provisions in the 2019 addendum to the Eighth MOU.</p>
<b>ETAAC Annual Report to Congress<sup>3</sup></b>	<p>The ETAAC recommended that the IRS and Congress evaluate making improvements in the communication, marketing, and accessibility of existing free tax filing programs before investing in the development and implementation of an IRS Direct e-File platform.</p>
<b>IRSAC Public Report<sup>4</sup></b>	<p>The IRSAC recommended that the IRS require its Free File partners to spend a certain percentage of their membership dues for advertising and promotion.</p>
<b>Federally Funded Research and Development Center<sup>5</sup></b>	<p>A Federally Funded Research and Development Center recommended that the IRS:</p> <ul style="list-style-type: none"> <li>Conduct data analysis of the demographic of the population who are prime candidates for Free File but not using it and conduct a taxpayer behavior study to better understand the factors involved in a taxpayer's choice of filing methods.</li> <li>Conduct a customer survey of Free File users specifically to the IRS experience of Free File (not the software they filed their return through) to use as a baseline and create an online survey for users to capture continuous feedback.</li> <li>Commission an awareness study to baseline taxpayer awareness of Free File. Based on the results of the study, conduct a targeted awareness campaign to the desired Free File demographics.</li> <li>Conduct a cost-benefit analysis to determine whether to purchase paid advertising to reach taxpayers searching for free tax filing. They recognized the IRS may have to seek statutory authority and budget-specific funding for such advertising if it was deemed beneficial.</li> <li>Standardize how Free File is referenced on IRS platforms and communications.</li> <li>Take steps to increase ease of understanding eligibility requirements.</li> <li>Conduct research on the usability of taxpayer access and use of the Free File Program.</li> <li>Determine measurable objectives for the Free File Program, and draft a new MOU, pulling and using provisions from the current MOU that are</li> </ul>

<sup>3</sup> IRS Publication 3415, *Electronic Tax Administration Advisory Committee Annual Report To Congress* (Rev. 6-2023).

<sup>4</sup> IRS Publication 5316, *Internal Revenue Service Advisory Council Public Report* (11-2018).

<sup>5</sup> Federally Funded Research and Development Center, *Independent Assessment of the Free File Program* (October 2019).

## Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program

Report	Recommendations
	<p>relevant, discarding provisions that are not, and creating new provisions based on the current environment.</p> <ul style="list-style-type: none"><li>• Simplify the MOU in its security and privacy provisions by simply requiring partners to adhere to the e-file/Security.</li><li>• Reflect as a provision in the MOU that taxpayers go to Free File sites only through IRS.gov as opposed to the current referencing in the preamble.</li></ul>
<b>NTA Annual Report to Congress<sup>6</sup></b>	<p>The NTA recommended that the IRS allow Free File partners to provide services to all taxpayers as part of its next operating agreement instead of capping the percentage of eligible taxpayers each provider can cover.</p>

<sup>6</sup> Taxpayer Advocate Service, *2018 Annual Report to Congress* (February 2019).



## Appendix III

### Statutory Authorities for Taxpayer Protections

<b>Taxpayer Privacy: Confidentiality of tax returns and return information</b>	<p>I.R.C. § 6103 provides that tax returns and return information shall be confidential; and shall not be disclosed. One exception for disclosure is contained in I.R.C. § 6103(c), which allows a taxpayer to designate a third party to receive returns or return information. Persons designated by the taxpayer under this subsection to receive return information shall not use the information for any purpose other than the express purpose for which taxpayer consent was granted and shall not disclose return information to any other person without the express permission of, or request by, the taxpayer.</p>
<b>Disclosure: Unauthorized use or disclosure of tax return information by tax return preparer</b>	<p>Treas. Reg. 301.7216-1(b) defines disclosure as the act of making tax return information known to any person in any manner whatever.</p> <p>Regulations under I.R.C. § 7216 and Treas. Reg. 301.7216 require tax preparers to use the sensitive tax return information they receive from taxpayers only for limited purposes. A tax return preparer is defined under Treas. Reg. 301.7216-1 to include “any person who is engaged in the business of providing auxiliary services in connection with the preparation of tax returns, including a person who develops software that is used to prepare or file a tax return and any Authorized IRS e-file Provider...” Treas. Reg. § 301.7216-1(b)(5) also notes that “to the extent that a taxpayer’s use of a hyperlink results in the transmission of tax return information, this transmission of tax return information is a disclosure by the tax return preparer subject to penalty under section 7216 if not authorized by regulation.”</p>
<b>Taxpayer Consent: Tax return preparers must obtain consent from taxpayer before disclosure</b>	<p>I.R.C. § 7216 makes it a crime for any tax preparer to knowingly or recklessly disclose any information that is furnished to the tax preparer in connection with preparing a client’s tax return or use tax return information other than to prepare or assist in preparing that return. Under Treas. Reg. § 301.7216-3(a)(i)(3), taxpayer consents must include the names of the tax return preparer and the taxpayer and must identify the intended purpose of the disclosure and the specific recipients of the tax return information. Treas. Reg. § 301.7216-3(a)(1) notes that, generally, “conditioning the provision of any services on the taxpayer’s furnishing consent will make the consent involuntary, and the consent will not satisfy the requirements” for disclosure.</p>

## Appendix IV

### Management's Response to the Draft Report




CHIEF  
TAXPAYER SERVICES

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

September 9, 2024

MEMORANDUM FOR DANNY R. VERNEUILLE  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin   
Chief, Taxpayer Services Division

Digitally signed by Kenneth C. Corbin  
Date: 2024.09.08 11:40:10 -04'00'

SUBJECT: Draft Audit Report – Improvements Are Needed to Ensure  
Oversight of and Increase Participation in the Free File Program  
(Audit No.: 202340028)

Thank you for the opportunity to review and provide comments on the subject draft report. The 2024 filing season marked the twenty-second year of the IRS Free File program providing free online tax filing options to taxpayers through a unique public-private partnership with a consortium of private tax preparation software companies. The services provided through the Free File Program include online guided tax preparation, filing, and a fillable forms product. This program helps taxpayers meet their tax obligations by providing greater access to free tax preparation with a particular focus on the economically disadvantaged and underserved populations at little to no cost for the federal government.

The IRS collaborates with Free File, Inc. (FFI), industry partners and internal stakeholders, to offer qualified individuals a free option to file their federal tax returns. A qualified filer could also receive a free state return if certain criteria are met. This is an additional free benefit offered by the FFI member companies. We continue to look for opportunities to enhance the taxpayer experience and avenues to increase taxpayer awareness of the Free File Program. For filing season 2024, our efforts to improve taxpayer experience resulted in an increase in the number of filers using the IRS Free File program.

We take the concerns raised about the Free File program in the report seriously. We appreciate Treasury Inspector General for Tax Administration's (TIGTA's) assessment of the program and the value it provides to taxpayers. The IRS continues to collaborate with the FFI to identify and explore ways to better help low-income to moderate-income

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taxpayers. The IRS is also looking at opportunities to improve taxpayer awareness and enhance both the use and satisfaction with the Free File program.

Our responses to your specific recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Joseph Dianto, Director, Customer Account Services, at 470-639-3504.

Attachment

Attachment

**Recommendations**

The Chief, Taxpayer Services, should:

**RECOMMENDATION 1**

At the start of each filing season, determine if any Free File Program partners have been identified or sanctioned for an unauthorized disclosure of taxpayer information and document actions taken to mitigate the potential risk to the Program.

**CORRECTIVE ACTION**

We agree. As part of our Free File Pre-filing Season Checklist, we will determine if any Free File Program partners have been identified or sanctioned for an unauthorized disclosure of taxpayer information and document actions taken to mitigate the potential risk to the Program.

**IMPLEMENTATION DATE**

November 15, 2025

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 2**

Identify IRS personnel with the appropriate technical expertise to review the participating partners' privacy disclosures and taxpayer consents each filing season to evaluate whether the format and content of written consents complies with Treas. Reg. 301.7216-3 and other IRS guidance.

**CORRECTIVE ACTION**

We agree. As part of the Free File Pre-filing Season Checklist, we will review participating partners' privacy disclosures and taxpayer consents each filing season and evaluate their compliance.

**IMPLEMENTATION DATE**

November 15, 2025

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 3**

Evaluate the feasibility of using additional avenues (such as letters, text messaging, and e-mails) to reach eligible Free File Program taxpayers. This should include determining if any of these avenues can be associated with increased participation.

**CORRECTIVE ACTION**

We agree. We will evaluate the feasibility of using additional avenues to reach eligible Free File Program taxpayers, including determining if those avenues are associated with increased participation.

**IMPLEMENTATION DATE**

November 15, 2025

**RESPONSIBLE OFFICIAL**

Director, Communication and Liaison, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 4**

Identify and incorporate appropriate qualitative and quantitative measures into the Free File Program communication plan that allow for evaluating the effectiveness of outreach efforts.

**CORRECTIVE ACTION**

We agree. We will continue to use available communications channels to promote Free File and will identify and incorporate any available measures into the communications planning process.

**IMPLEMENTATION DATE**

November 15, 2025

**RESPONSIBLE OFFICIAL**

Director, Communication and Liaison, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 5**

Consult with IRS Office of Chief Counsel to determine if the IRS can request the Free File Program partners to share responsibility for promoting the Program. If they can, the IRS should negotiate the terms with its Free File partners and revise the MOU accordingly.

**CORRECTIVE ACTION**

We disagree. The Free File partners offer their software solutions for free to the IRS Free File program. Requesting the partners to fund a communication plan or promotion campaign is not in alignment with the Memorandum of Understanding objectives.

**IMPLEMENTATION DATE**

N/A

**RESPONSIBLE OFFICIAL**

N/A

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 6**

Allocate funding to promote the Free File Program.

**CORRECTIVE ACTION**

We will consider funding allocation options in future budgets, taking into account the Treasury Secretary's commitments and Administration guidance. However, funding for the IRS is determined and appropriated by the Congress and, in the vacuum of not knowing what appropriated funding and operational needs will be in the future, we cannot commit to the recommended allocation.

**IMPLEMENTATION DATE**

N/A

**RESPONSIBLE OFFICIAL**

N/A

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**Recommendation**

**RECOMMENDATION 7**

The Chief, Taxpayer Services, should develop a comprehensive MOU provision testing plan that ensures that all sections of the MOU (and addendums, as applicable) are being addressed each filing season. This should include noting which provisions cannot be reviewed along with an explanation why.

**CORRECTIVE ACTION**

We agree. As part of the Pre-filing Season Checklist, we will develop a comprehensive MOU provision testing plan that ensures that all sections of the MOU (and addendums, as applicable) are being addressed each filing season.

**IMPLEMENTATION DATE**

November 15, 2025

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

## Appendix V

### Glossary of Terms

Term	Definition
Adjusted Gross Income	Gross income minus adjustments to income. Gross income includes wages, dividends, capital gains, business income, and retirement distributions as well as other income. Adjustments to income include such items as educator expenses, student loan interest, alimony payments, or contributions to a retirement account.
Filing Season	The period from January 1 through mid-April when most individual income tax returns are filed.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Memorandum of Understanding	A document established between two or more parties to define their respective responsibilities in accomplishing a particular goal or mission.
Modernized Tax Return Database	The official repository of all electronic returns processed through the Modernized e-File system.
Processing Year	The calendar year in which the IRS processes the tax return or document.
Social Media Widget	Applications or tools that integrate social media platforms into a website.



## Appendix VI

### Abbreviations

e-File	Electronic filing
ETAAC	Electronic Tax Administration Advisory Committee
GAO	Government Accountability Office
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
IRSAC	IRS Advisory Committee
MOU	Memorandum of Understanding
NTA	National Taxpayer Advocate
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at [www.tigta.gov](http://www.tigta.gov) or via e-mail at  
[oi.govreports@tigta.treas.gov](mailto:oi.govreports@tigta.treas.gov).**

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at [www.tigta.gov/form/suggestions](http://www.tigta.gov/form/suggestions).**

Information you provide is confidential, and you may remain anonymous.