



# DIRECT FILE

## How Parent and Family Engagement in Design Can Improve Access to Refundable Credits

Simplifying the tax filing process is a [crucial step](#) to promoting [economic security and well-being](#), by improving families' access to the Child Tax Credit (CTC), Earned Income Tax Credit (EITC), and other refundable credits they are owed. Refundable credits [fight poverty](#) and are important resources for families with children to be able to cover their basic needs and make investments to pursue their goals. For some families, they are the only type of unrestricted cash support they are eligible for—or can access. Having this type of cash support administered through the tax system is also the most likely path to a [permanent child allowance](#) or [guaranteed income for young adults](#)—which could be [transformative](#) for the economic security of young people and families.

However, the design of the current tax system places many barriers between families and refundable credits. These barriers include the [time and money](#) it costs to file taxes, often through for-profit preparers; the challenge of understanding tax rules and filling out the forms, especially for families with limited English proficiency and without access to translators and interpreters; not having reliable access to the internet or in-person free tax clinics, especially for families who are unhoused or who have experienced domestic violence; having to rely on online portals that are not designed for readability, especially for individuals with disabilities; and a [lack of trust in the IRS](#), especially for communities who have been subject to [disproportionate audits](#).

MARCH 2024

This tax filing season, [some people](#) can file their taxes for free, directly with the Internal Revenue Service (IRS), as part of a pilot program to provide taxpayers a free, high-quality alternative to paid tax preparation businesses. This type of simplified, easy-to-use tax filing tool is crucial for families to be able to access and keep the refunds and tax credits they are owed. The IRS, with the support of partners like the Center for the Study of Social Policy (CSSP), has been ensuring that families who are most impacted by barriers to tax filing, such as the complexity and costs, have been delivering feedback throughout the design and development process of this new Direct File program. This process of parent and family engagement can provide a model for creating programs that are responsive to families' needs, which is critical to advancing economic and racial equity in our public systems.

For those who are not required to file taxes, these barriers may outweigh the benefits of filing to access refundable credits they are owed. Research shows that people of color and Hispanic filers are at a higher risk of missing out on claiming the [EITC](#) and [CTC](#), respectively. A simplified filing tool provided for free directly by the IRS can help mitigate some of these barriers, close the gap between eligibility and access, and advance racial equity. A mobile-first tool accessible to those with disabilities and responsive to [language access needs](#) can reduce the complexity of filing taxes and make it clear to people what credits they are eligible for and how to claim them in the filing process. It can also help to [advance economic equity](#) by ensuring families keep their credits instead of using them to [pay third-party preparers](#). Over time, an easier process for filing taxes that allows people to access the refundable credits they are owed in an effective and consistent way can also help build trust that the IRS can actually meet the needs of families, where they are, and in the ways that work best for them.

For a simple, direct tax filing tool to truly advance racial and economic equity and improve uptake of crucial tax benefits for millions of families, however, [it must be designed deliberately and thoughtfully](#), based on the experiences and needs of filers with low incomes and individuals for whom the tax system is not currently designed, especially, Black, Latinx/e, and other families of color, who [disproportionately face](#) these barriers due to systematic discrimination—whether in traditional human services programs, or through the tax system.

## Learning from the expanded Child Tax Credit

We saw how important a simplified filing process was when the Child Tax Credit (CTC) was temporarily expanded through the American Rescue Plan Act of 2021 to include families with the lowest incomes and be distributed monthly. The 2021 CTC [helped parents and caregivers](#) meet the costs of raising children, cover basic needs, extracurricular activities, and spend more time together as a family; [kept 5.3 million people out of poverty](#); and [contributed to historic declines in poverty](#) among Black, Hispanic, and White children. These outcomes were not only because the 2021 CTC [increased eligibility](#) to families who needed unrestricted

cash the most, but also because *access to that income* dramatically improved.

We saw that it was possible to reach more families quickly if platforms used to claim the refundable credits were user-friendly. The IRS [created a portal](#) that allowed families who did not typically have a tax filing obligation to claim the credit, and another portal for families to opt out of receiving the payments monthly, and to update their information about their qualifying children. In coordination with the IRS, the non-profit [Code for America developed](#) GetCTC, a simplified filing tool that helped nearly [200,000 households](#) file basic returns to claim an average of \$3,500 from the CTC and stimulus payments. Importantly, the Code for America tool was also mobile friendly and available in Spanish. As a result, while Latinx/e and Hispanic families accessed the CTC at lower rates at the start of the tax filing season, thanks to the Code for America tool and extensive outreach by community based organizations, [the number of Latinx/e/Hispanic families](#) claiming the CTC increased significantly over the course of the tax filing season.

We know from families' experiences accessing the expanded CTC that reliable tools designed for people who face the most barriers will improve access for all. That is why, while the commitment and the will to develop a simplified filing tool like the Direct File pilot is crucial, the process through which the tool is designed and developed matters. Ultimately, a process to design the Direct File tool that centers the experiences and needs of filers with low incomes and individuals for whom the tax system is not currently designed will ensure that all tax filers can access the benefits of the tax system to help meet their needs.

## Engaging Parents and Families in the Design and Development of the Direct File tool

In developing the Direct File tool, the IRS engaged partners and sought to learn from a wide range of families through formal involvement in the user research process. It was critical that the IRS prioritize hearing from families with low incomes, Spanish speakers, parents and caregivers with multiple children, and people with disabilities in the research process, so that the tool could be responsive to their needs.

CSSP and our partners helped to build formal connections between the IRS and communities and parents with low incomes who have faced challenges applying for benefits or filing taxes. To make these connections, CSSP and our partners conducted outreach across the country, working with legal service partners who serve communities where there are high numbers of families with low incomes, larger families, and families with lower rates of access to benefits. CSSP also connected the IRS to representatives from a number of constituent groups who we work closely with, such as parents who take part in the [Parent Leader Network](#) and young people who serves as [CARES Ambassadors](#), to ensure a diversity of experiences were reflected in the research process. Members of the [Parent and Caregiver Advisory Board \(PAB\)](#) of the Automatic Benefit for Children (ABC) Coalition, a coalition working to expand access to the CTC and advance a child allowance, provided multiple rounds of feedback on different design elements of the tool, and, along with parents and caregivers recruited by [RESULTS](#) and other ABC Coalition members, have provided crucial insight and shaped the pilot that the IRS released for the 2024 filing season.

Based on what CSSP heard through this engagement, several early lessons emerged not only about how to improve the tool based on feedback that reflects a diversity of circumstances and situations, but also about the needs that tax filers have as they go through the process that the tool itself cannot address. For example, engaging parents with low incomes in testing the tool made clear that for the tool to be fully accessible, it must be *combined with wraparound supports and responsive customer service*, such as language interpreters, so that families can get the assistance they need, when they need it, and in the form that works best for them. The IRS' efforts to build [accessible customer service](#) for use of the Direct File tool were validated by this engagement with parents and families.

### **Building IRS Capacity for Future Parent and Family Partnership to Improve the Administration of Tax Benefits**

This tax filing season is an opportunity to see the value of partnering with parents and families in creating a

smooth filing process for those facing the greatest barriers, and is providing helpful information to refine the process of improving tax filing in the future. Looking to the future, the IRS should think about how to build parent and family partnership into all efforts to improve the administration of tax benefits.

Two factors stand out as crucial to the success of any future effort to improve tax administration:

- The design process should be founded on the principle that families know best the barriers they face and what would reduce those barriers. Seeking the insight and perspectives of families facing these barriers and compensating research participants for their time and expertise—as was done in this research process—is an important way to not just make the program in question more effective but also show that respect and trust.
- Working with parents and families is most fruitful when done on a regular and sustained basis—not just one-off interactions. Sustained partnership allows for iterative feedback and provides opportunities for parents and families to bring insights they learn from their own networks into the design process.

The IRS should continue to build internal capacity for this kind of ongoing partnership with parents and families in the design and development of tools related to filing taxes, while also engaging organizations that are trusted by families and communities most likely to experience barriers to accessing the tax credits they are owed. Two possible avenues would be an advisory board of filers with low incomes who consult regularly on tax administration, and the development of an IRS pipeline of organizations with connections to constituent groups.

We look forward to seeing how the IRS can learn from the experience with this year's pilot, so that we can improve tax filing for families moving forward and help build a foundation for an equitable and just tax system.