

Direct File, Integrated State Filing, and FileYourStateTaxes

2024 Findings
April 2024

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Summary

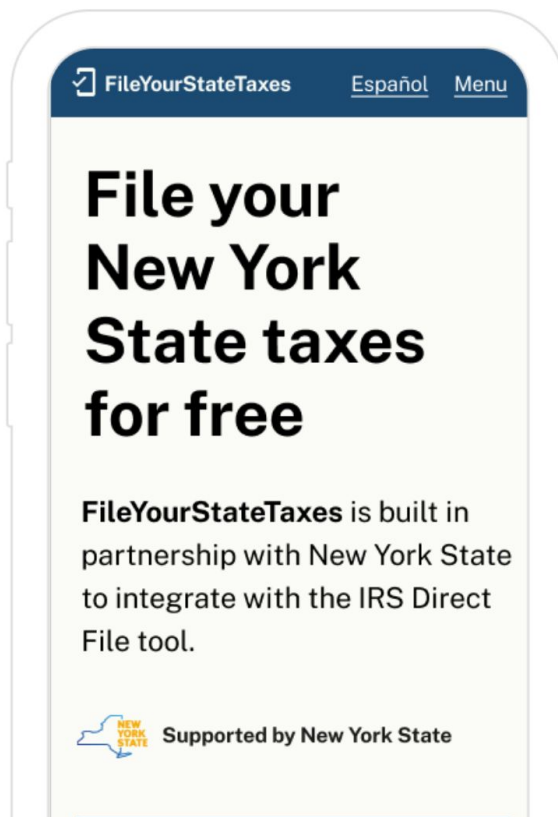
The IRS's [Direct File report to Congress](#) in 2023 identified three key operational issues in running a Direct File program, which [2024's pilot was designed to test](#). Principal among them was the integration of state tax filing. From the report: *"Another challenge is how to facilitate the filing of state income taxes, which are often filed in conjunction with federal taxes. Research indicates that taxpayers expect to be able to file federal, state, and local returns in one place. Any solution would require collaboration with state and local tax administrators to enable integration and avoid creating additional burden for filers."*

The IRS developed a novel approach to integrate state taxes with Direct File. When we partnered with Arizona and New York to build FileYourStateTaxes, an integrated state tax filing tool for Direct File, it was the first time such a product had ever been built.

This pilot's state tax filing approach was an experiment: and **we are proud to report that, in Arizona and New York, the experiment was an incredible success in the pilot year**. We found:

- In our follow-up survey, **96% of taxpayers were "satisfied" or "very satisfied"** with FileYourStateTaxes. Reflecting on the federal-state data transfer, the most unique aspect of Direct File integrated state filing, **95% thought the transfer was "seamless and quick."**
- **90% of Arizona and New York taxpayers who filed a federal Direct File return went on to complete their state return with FileYourStateTaxes.**
We expect this high conversion rate to increase with additional user experience improvements in future years. **Among those who transferred Direct File data, 98% completed FileYourStateTaxes.**
- Most taxpayers finished FileYourStateTaxes very quickly. From the time of data transfer, **88% of filers completed and submitted their state return within 15 minutes.**
- While our research focused on state filing, taxpayers also told us they loved Direct File. **Nine out of 10 would recommend Direct File and FileYourStateTaxes to their friends and family, with a Net Promoter Score of 83.**

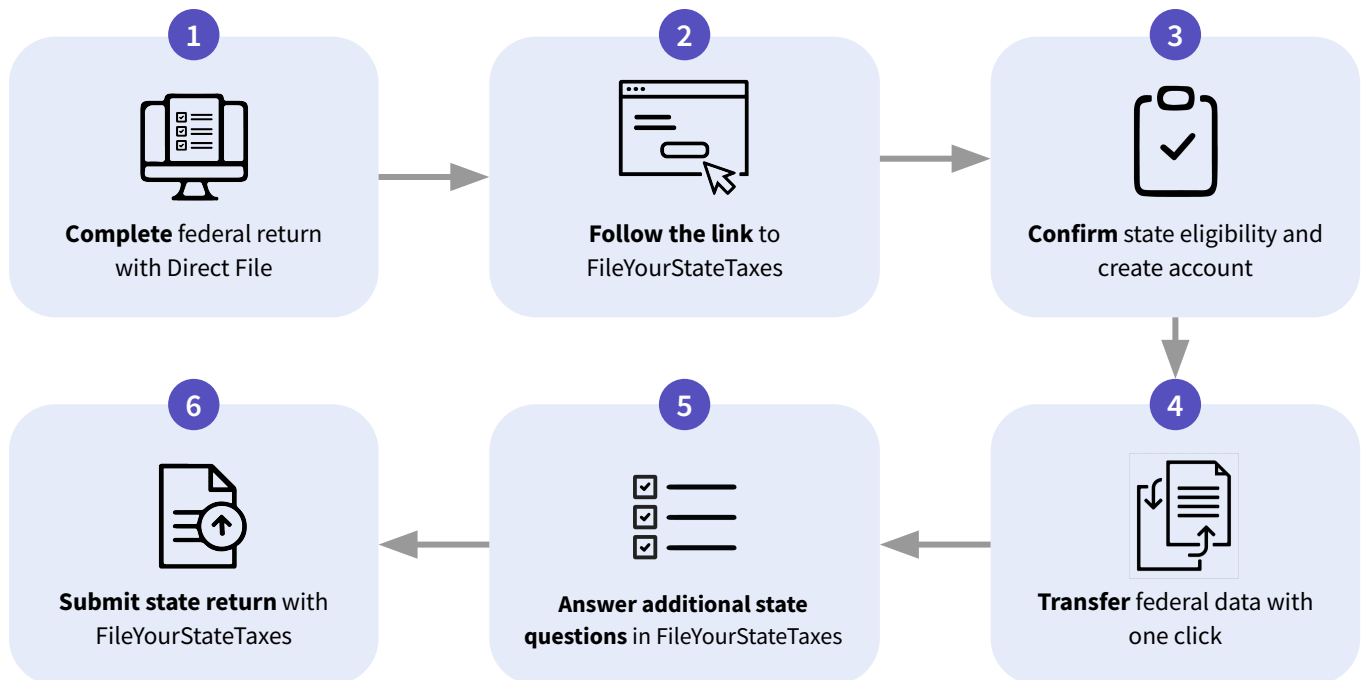
The state filing portion of the Direct File pilot was a success, and we hope to see states continue to build on this in the years to come.



The FileYourStateTaxes experience

Building a free, public tax filing system in the United States poses a challenge peer countries don't face: about 80% of taxpayers must file federal *and* state returns. These two returns contain much of the same information, so doing them independently could present unnecessary taxpayer burden. But the federal IRS may not have the authority to file state returns directly. To solve this puzzle, Direct File developed a strategy built on data portability: Direct File taxpayers could transfer their federal return information to a state product,¹ where they could easily complete the state filing process without having to start from scratch. This would be two independent products, but one integrated experience for the taxpayer.

Code for America built FileYourStateTaxes to be that integrated state filing product, in partnership with the tax departments in Arizona and New York. Thanks to the federal data import, most taxpayers saw no more than a couple dozen short pages on FileYourStateTaxes.



Complete demos are available for [Arizona](#) and [New York](#).

On the back end, FileYourStateTaxes returns were [linked returns in Modernized eFile](#), which is critical for state processing; New York and Arizona were able to process the returns according to standard state procedures. The states received the data only when the state return was submitted.

This was all a novel approach for taxpayers, who generally submit both returns together in one piece of software, or use two entirely unrelated processes for their returns. But, it went very smoothly.

¹ Because the data transferred was taxpayer-provided data, it was not considered Federal Tax Information.

Taxpayers were extremely satisfied with FileYourStateTaxes

After taxpayers successfully completed their state tax return through FileYourStateTaxes,² we invited them to complete a brief survey about their experience. As of April 26, 596 taxpayers in New York and 288 taxpayers in Arizona completed the survey. In addition, we conducted in-depth interviews with 11 taxpayers in New York and two taxpayers in Arizona who used FileYourStateTaxes.

Survey respondents were extremely satisfied with FileYourStateTaxes overall and the new data transfer process. In the surveys and follow-up interviews, we heard that **FileYourStateTaxes was quick and easy to use.**

	Both states	AZ	NY
“Satisfied” or “Very satisfied” with FileYourStateTaxes	96%	97%	95%
Found the data transfer “seamless and quick” ³	95%	96%	95%

*“Honestly it was very easy and quick to do and I’m someone who usually had help filing. **I look forward to next year just because I now know how easy it is.**”*

— New York taxpayer who paid \$50 - \$100 to file their tax return last year

*“I don’t have any suggestions. The process was **very simple and straightforward** and I received my refund in record time.”*

— Arizona taxpayer

*“Personally, this was **a much simpler process than other sites I have used.** I am so happy I used this process, and I hope it continues.”*

— Arizona taxpayer

*“I finished this and I was like, wait, I’m done? That was so easy... **It felt like what filing state taxes should be like.** They’re just a little add-on on top of the federal stuff. ... **Taxes are confusing and having a tool that makes that easier is, like, emotionally valuable.** It’s not just that you’re saving, you know, 80 bucks on TurboTax or whatever. It’s so much less of a stressful thing.”*

— New York taxpayer

*“I don’t know if you can improve, it was pretty simple and quick. **It was one of the greatest experiences I have had doing them.**”*

— Arizona taxpayer

² That is, once the taxpayer received a notification that the state had accepted their state return.

³ This percentage reflects survey respondents who selected 4 or 5 on a five point Likert-like scale, with 5 being “5: Data transfer was seamless and quick.”

*“I never have said this in a survey, but there is no way to my mind you need to improve this. I am blown away at how seamless, easy, and smooth the process was... **Amazingly simple and straightforward... I even jokingly (but meant it) told my brother (in trying to convince him to use it) that I enjoyed doing my taxes!**... Anyway, thank you to all who created this new tax filing system. Job well done. So easy. Thank You!”*

— New York taxpayer

Many taxpayers also hoped FileYourStateTaxes would be expanded to help more people access free, easy, and trustworthy tax filing services.

*“Advertise and let more people know that **there is an easy and quick way to file taxes for free directly through the state!**”*

— Arizona taxpayer, who paid \$50 - \$100 to file their tax return last year

Most taxpayers completed FileYourStateTaxes, and completed it quickly

We hoped taxpayers would experience the federal and state products as a single, unified experience—with most Direct File taxpayers completing their state returns on FileYourStateTaxes, and doing so quickly. We found, indeed, they did.

	Both states	AZ	NY
<i>Percentage of Direct File taxpayers who completed FileYourStateTaxes</i>	90%	90%	90%
<i>FileYourStateTaxes completion rate among taxpayers who imported Direct File data⁴</i>	98%	99%	98%
<i>Percentage of filers who filed their state return within 15 minutes of importing Direct File data⁵</i>	88%	91%	86%

⁴ Overall, 92% of Direct File users in Arizona and New York exported their data to FileYourStateTaxes.

⁵ Taxpayers in Arizona tended to finish the state return slightly faster than those in New York. This likely reflects the higher complexity of New York tax law, and the higher complexity of New York W-2s, which may have local taxes and withholding in New York City.

Out of all the taxpayers who successfully completed federal returns using Direct File in Arizona and New York,⁶ 90% successfully completed state returns⁷ using FileYourStateTaxes. Taxpayers experienced the filing process as one unified experience.

A taxpayer from New York said during an interview, “[Previous years were] kind of annoying, especially because sometimes it’ll be like, oh, this service offers federal for free but not state. So I have to dig around for another one that lets me do state. But.. that’s what I liked more this time around—it being all in one place made it a lot easier.” As taxpayers become more familiar with the new process, we expect this high conversion rate to increase.

Some of the Direct File taxpayers who did not use FileYourStateTaxes likely chose to file state returns a different way. **Among taxpayers who transferred their federal Direct File data to FileYourStateTaxes**, indicating an intent to use the product, **an overwhelming 98% successfully completed their state return with FileYourStateTaxes.**

Most taxpayers who used FileYourStateTaxes also did it quite quickly. **From the time of importing federal return data,⁸ 88% of FileYourStateTaxes taxpayers completed and submitted their state return in less than 15 minutes.** If we start the clock at the time of taxpayers’ very first visit to fileyourstatetaxes.org, some taxpayers took a bit longer, taking a break before completing their data import. Even so, from the time of first visit to fileyourstatetaxes.org, the modal completion time was 8 minutes;⁹ 30% of FileYourStateTaxes filers took less than 15 minutes; and 55% took less than 30 minutes.

Said one New York taxpayer:

“It took less than 5 minutes since I’d already completed my federal tax return. It worked perfectly.”

Said another:

“As soon as my federal tax return was accepted, it was shockingly fast. Blazingly fast. I spent more time going downstairs to get my driver’s license to add the number for the filing than I did doing the entire rest of the process. I literally finished filing my state taxes and told all of my friends immediately how painless and fast it was.”

And, while most taxpayers do prefer to finish their tax returns on a computer, about 17% of FileYourStateTaxes taxpayers did the process on a phone or tablet.

⁶ Federal Direct File return was accepted, and taxpayer selected Arizona or New York as their state of residence.

⁷ “Successfully completed” means the taxpayer e-filed a state return that was accepted by the state.

⁸ The actual work of preparing the state return takes place exclusively after the data transfer. Prior to the data import, taxpayers confirmed their eligibility and set up their account.

⁹ That is, the most common experience was that FileYourStateTaxes taxpayers arrived on the site and submitted their state returns eight minutes later.

Taxpayers didn't have many questions about the FileYourStateTaxes process

We offered live chat client support on every page of FileYourStateTaxes to ensure all taxpayers had the information they needed, and to quickly resolve any issues. But taxpayers largely didn't need it.

Overall, 95% of FileYourStateTaxes taxpayers completed their returns without using the chat functionality.

Additionally, taxpayers who used live chat were pleased with the service. One Arizona taxpayer said, "The process could not have been any easier. I made a mistake with the correct W2 year but was able to resolve the issue [with live chat] in just a few minutes."

Taxpayers are also extremely satisfied with Direct File overall

While our research focused on FileYourStateTaxes, taxpayers responded to two questions about their experience with Direct File overall. As with FileYourStateTaxes, taxpayers were thrilled with Direct File. Nine in 10 would recommend it to friends and family, with a Net Promoter Score of 83.

	Both states	AZ	NY
<i>Would recommend Direct File and FileYourStateTaxes to your friends/family</i> ¹⁰	87%	86%	87%
<i>Net Promoter Score</i> ¹¹	83	82	84
<i>Prefer Direct File over their previous filing method</i>	93%	92%	93%

Usage patterns throughout the filing season also support the idea that people who used Direct File and FileYourStateTaxes recommended them to family and friends. As more and more taxpayers used Direct File over the course of the year, usage grew exponentially, with 35% of FileYourStateTaxes usage occurring in just the last two days of the filing season.

¹⁰ People who recommended Direct File and FileYourStateTaxes are people who selected 9 or 10 on a 0 to 10 point Likert-like scale as part of the Net Promoter Score.

¹¹ Net Promoter Score (NPS) is calculated by subtracting the people who do not recommend a product (i.e., Detractors) from the people who do recommend a product (i.e., Promoters). Promoters are people who select 9 or 10, Detractors are people who select 0 - 6, and Neutral are people who select 7 or 8.

The evidence is clear:

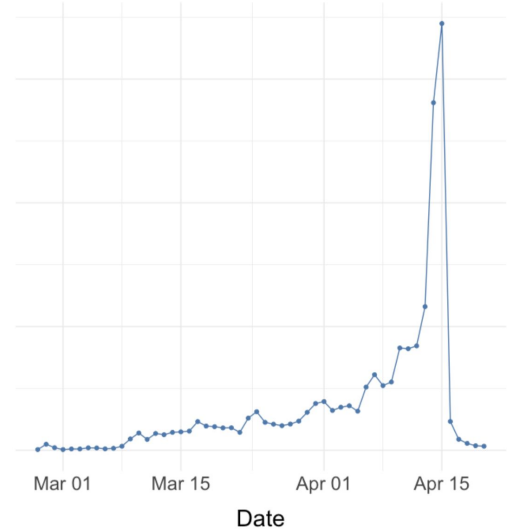
DirectFile with integrated state filing works

The 2024 Direct File pilot was a powerful example of importing modern software best practices into government, building iteratively and testing assumptions before scaling up. The IRS was right to identify state filing as a challenge to overcome, and wise to identify the data portability strategy as a promising one to test. **With the first year of FileYourStateTaxes in the books, there can be no doubt that the experiment was a success.**

Taxpayers found integrated state filing easy, quick, and straightforward.

With this data in hand, we hope to see the announcement of a permanent Direct File program, and we are eager to see more tax departments across the country build human-centered, user-friendly state filing systems to bring Direct File to their states.

Daily Submissions, Both States



Acknowledgments

Code for America built FileYourStateTaxes in close partnership with the Arizona Department of Revenue and the New York Department of Taxation and Finance, without whom none of this work would have been possible. Thank you to everyone at both departments, and especially to Cynthia Ramey, Rebecca Wilder, and Rob Woods in Arizona; and Jason Bardin, Carol Gensicki, Richard Harris, Michael Shollar, and Christina Snover in New York.

Appendix: FileYourStateTaxes Client Survey Results and Documentation

After taxpayers successfully filed their state return with FileYourStateTaxes, Code for America sent them an invitation to complete a brief (<5 minute) Qualtrics survey to share feedback on their overall experience and ideas for improvement. The survey was offered in English and Spanish and was available on computers or mobile devices. Complete data for all relevant questions is shown below.

How would you rate your overall satisfaction with FileYourStateTaxes?			
	Arizona (n=288)	New York (n=596)	Both (n=884)
Very Satisfied	244 (84.7%)	478 (80.2%)	722 (81.7%)
Satisfied	34 (11.8%)	90 (15.1%)	124 (14.0%)
Neutral	8 (2.8%)	18 (3.0%)	26 (2.9%)
Dissatisfied	1 (0.3%)	7 (1.2%)	8 (0.9%)
Very Dissatisfied	1 (0.3%)	3 (0.5%)	4 (0.5%)

Think about the part of the tax filing process where you imported your federal tax data from the IRS Direct File tool to FileYourStateTaxes.

How smooth was that data transfer? Please rate on a scale of 1-5.

	1: Data transfer took a long time, was very confusing, or took multiple attempts to go through.	2	3	4	5: Data transfer was seamless and quick
Arizona (n=280)	2 (0.7%)	1 (0.4%)	9 (3.2%)	28 (10%)	240 (85.7%)
New York (n=582)	6 (1.0%)	1 (0.2%)	21 (3.6%)	72 (12.4%)	482 (82.8%)
Both (n=862)	8 (0.9%)	2 (0.2%)	30 (3.5%)	100 (11.6%)	722 (83.8%)

How likely are you to recommend IRS Direct File and FileYourStateTaxes to a friend or family member? 0 being “Not likely at all” and 10 being “Incredibly likely”

	Recommend (9 - 10)	Neutral (7-8)	Not Recommend (0-6)	NPS Score*
Arizona (n=283)	244 (86.2%)	28 (9.9%)	11 (3.9%)	82.3
New York (n=587)	511 (87.1%)	56 (9.5%)	20 (3.4%)	83.7
Both (n=870)	755 (86.8%)	84 (9.7%)	31 (3.6%)	83.2

*Net Promoter Score (NPS) is calculated by subtracting the people who do not recommend a product (i.e., Detractors) from the people who do recommend a product (i.e., Promoters). Promoters are people who select 9 or 10, Detractors are people who select 0 - 6, and Neutral are people who select 7 or 8.

Let’s compare your experience between this year’s tax filing experience with Direct File and your prior year’s tax filing experience.

	Arizona (n=248)	New York (n=533)	Both (n=781)
I prefer to use Direct File.	228 (91.9%)	495 (92.9%)	723 (92.6%)
I prefer to use a different filing method.	2 (0.8%)	10 (1.9%)	12 (1.5%)
I do not have a preference between Direct File and other tax filing methods.	18 (7.3%)	28 (5.3%)	46 (5.9%)