HOW PEOPLE CHOOSE TAX-FILING METHODS

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At the beginning of each year, millions of Americans prepare and file their income tax returns. They determine how much they owe and how much they already paid via withholding or estimated tax payments. If they owe less than they paid, they get a refund. Most taxpayers received a refund when they filed their 2024 tax returns, with the average refund being over $3,000.[1]

In recent decades, the tax system has become the primary source of cash benefits for working families with low incomes and children through tax credits like the earned income tax credit (EITC) and the refundable portion of the child tax credit (CTC), which can increase families' incomes by thousands of dollars.[2] Because filing a tax return effectively functions as an application for these benefits, tax filing is essential to ensuring that eligible families receive their tax credits. Indeed, when families file, nearly all receive the income-boosting tax credits they are eligible for.[3]

But filing a tax return and navigating the tax code's eligibility rules can be burdensome and complex, making it harder for taxpayers to understand and follow the rules on their own.[4] These complexities may increase due to new provisions of the One Big Beautiful Bill Act.[5]

Faced with these challenges, many people seek assistance in preparing and filing their returns, either from paid practitioners or from tax preparation software.[6] These options may be costly for some and reduce the value of the tax benefits they receive.[7] Further, some options may be associated with higher rates of improper claims, which can lead to increased scrutiny of tax benefits like the EITC and raise the likelihood that taxpayers who claim these benefits are audited, a process that can be costly and stressful.[8] Understanding households' tax-filing choices can inform efforts to help them save money on filing costs, maximize refunds they are eligible for, and file accurate tax returns.

This research uses December 2024 data from the Urban Institute's Well-Being and Basic Needs Survey (WBNS), a nationally representative survey of adults ages 18 to 64, to examine people's tax-filing methods and motivations for choosing these methods.[9] Some prior research suggests that convenience and cost, as well as psychological factors like the perceived risk of getting audited, drive people's choice of tax-filing methods.[10] The IRS's individual taxpayer burden surveys have explored the time and financial costs involved with tax compliance, though limited information has been made publicly available. The WBNS adds to our understanding of how people file their tax returns and why they choose

[1] Internal Revenue Service, "Filing Season Statistics for Week Ending Dec. 26, 2025," Internal Revenue Service, January 2, 2026.
[2] Maag, Elaine, C. Eugene Steuerle, and Margot Crandall-Hollick. 2025. "How Policymakers Could Use the Tax Code to Better Serve Children." Washington, DC: Urban-Brookings Tax Policy Center.
[3] Castelin, Kimberly, Alicia Miller, Corbin Miller, Mark Payne, Dean Plueger, Brenda Schafer, and Lori Stuntz. 2024. "Tax Year 2022 Credits and Deductions Gap: Summary Report." Washington, DC: Internal Revenue Service.
[4] National Taxpayer Advocate. 2024. "MSP #08: Tax and Financial Literacy: Limited Tax and Financial Knowledge Is Causing Serious Consequences for Taxpayers." *2024 Annual Report to Congress*. Washington, DC: Internal Revenue Service.
[5] Muresianu, Alex, Sam Cluggish, and Rebecca Walker. 2025. "One Big Beautiful Bill Act Makes the Individual Income Tax More Complex." Washington, DC: Tax Foundation.
[6] Crandall-Hollick, Margot, and Aravind Boddupalli. 2026. "We Don't Know How Many People File Their Taxes for Free. Congress Could Fix That." *TaxVox* (blog). Washington, DC: Urban-Brookings Tax Policy Center; National Taxpayer Advocate. 2019. "Earned Income Tax Credit: Making the EITC Work for Taxpayers and the Government." FY 2020 Objectives Report to Congress Volume III. Washington, DC: Internal Revenue Service.
[7] Brady, Demian. 2025. "Average American Spends 13 Hours and $290 to File Taxes." Washington, DC: National Taxpayers Union Foundation.
[8] Internal Revenue Service. 2014. "Compliance Estimates for the Earned Income Tax Credit Claimed on 2006–2008 Returns." Publication 5162. Washington, DC: Internal Revenue Service.
[9] The December 2024 WBNS had a nationally representative sample of 7,771 adults ages 18 to 64, including 5,889 adults who reported that their households filed a federal or state income tax return in the past 12 months.
[10] See, for example Patterson, Jodi, and Meredith McCullough. 2023. "MITRE Taxpayer Filing Preference Surveys." McLean, VA: MITRE Corporation; Alm, James, Jubo Yan, William D. Schulze, Melissa Vigil, and Carrie von Bose. 2023. "Psychological Factors, the Choice of a Tax Preparer, and Tax Compliance." Washington, DC: Internal Revenue Service.

their filing methods, which can help Congress and the IRS develop solutions that make tax filing more accessible, affordable, and accurate for all.

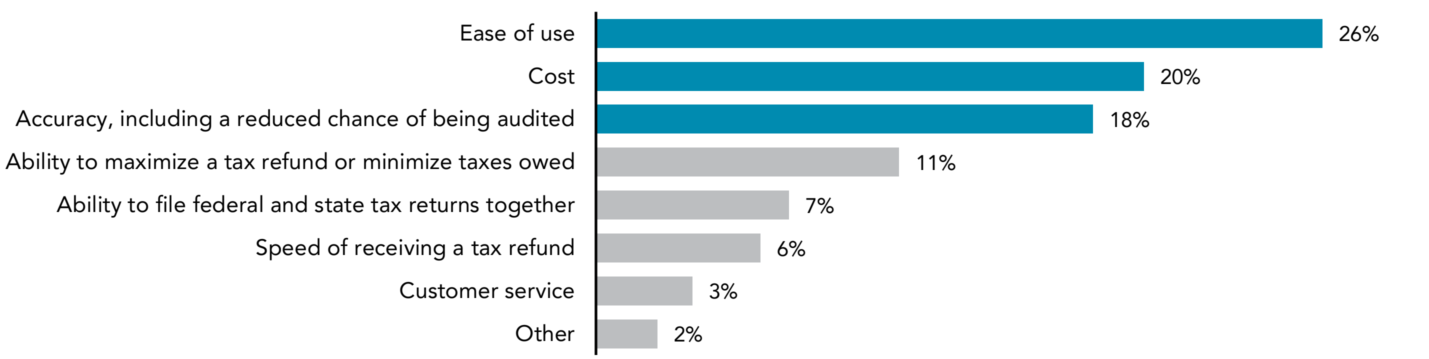
Most US residents are required to file an annual income tax return.[11] According to the WBNS, 84 percent of nonelderly adults reported that their households filed a tax return in the 12 months prior to December 2024 (data not shown).[12] Taxpayers have many filing options, including those that are paid or free and those that can be accessed in person or online; a small share prepare paper returns by hand and mail them in. Most taxpayers file through paid preparers, such as accountants or tax professionals, or online using commercial tax preparation software, such as TurboTax or H&R Block.[13]

Those seeking free tax-filing options can go to Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites or use free versions of online commercial tax preparation software. Eligibility for these free services varies depending on taxpayers' income level, income sources, and claims for certain credits or deductions. Some free software options are offered through the IRS's website as part of the IRS's Free File program.[14] Though many taxpayers are eligible for free services under this program, uptake is low.[15] In other cases, software companies offer free options outside of the Free File program. A taxpayer may begin to prepare their tax return through commercial software assuming they will pay $0, as is commonly advertised, but end up paying for services.[16] In 2024 and 2025, many taxpayers had the option of filing their federal tax returns electronically for free through the IRS's Direct File pilot; however, that program was eliminated in 2025.[17] Existing administrative data on how many taxpayers actually file for free using commercial software outside of the Free File program is unavailable absent Congressional action.[18]

According to the WBNS, the top reasons motivating nonelderly taxpayers' chosen tax-filing methods were ease of use (26 percent), cost (20 percent), and accuracy, including the belief that using a particular method reduced their chance of getting audited (18 percent; figure 1).

FIGURE 1

Ease of Use, Cost, and Accuracy Are Top Reasons Motivating People's Chosen Tax-Filling Methods



Source: Urban Institute's Well-Being and Basic Needs Survey (WBNS), December 2024.

Notes: Data include nonelderly adults who reported, as of December 2024, their households filed a federal income tax return, a state income tax return, or both in in the last 12 months. Estimates are not shown for respondents who did not report (4 percent) nor those who reported "don't know" (3 percent).

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[11] Taxpayers are not required to file a return, for example, if their income falls below that year's income tax filing threshold: for a single nonelderly taxpayer, that threshold is $15,750 for tax year 2025. Though, depending on their income and household composition, it could be advantageous for taxpayers with incomes below the threshold to also file a tax return if they qualify for the EITC or CTC.

[12] An additional 10 percent reported that their household did not file a tax return, and seven percent reported they "don't know."

[13] Goldin, Jacob, Tatiana Homonoff, Rizwan Javaid, and Brenda Schafer. 2022. "Tax Filing and Take-Up: Experimental Evidence on Tax Preparation Outreach and Benefit Claiming." *Journal of Public Economics* 206.

[14] Urban-Brookings Tax Policy Center. 2024. "What is Free File?" *Briefing Book*. Washington, DC: Urban-Brookings Tax Policy Center.

[15] Government Accountability Office, "Why Don't More Taxpayers Take Advantage of Free Help Filing Taxes Online?," *Watchblog: Following the Federal Dollar*, Government Accountability Office, May 10, 2022.

[16] Justin Elliot and Lucas Waldron, "Here's How TurboTax Just Tricked You Into Paying to File Your Taxes," *ProPublica*, April 22, 2019; Ari Lazarus, "FTC Says H&R Block Pressures People Into Overpaying For Tax Prep," *Consumer Advice*, Federal Trade Commission, February 23, 2024.

[17] Nova Safo, "The IRS' Direct File Option Is Dead, though Free File Lives On (with Limitations)," *Marketplace*, November 12, 2025.

[18] Crandall-Hollick, Margot, and Aravind Boddupalli. 2026. "We Don't Know How Many People File Their Taxes for Free. Congress Could Fix That." *TaxVox* (blog). Washington, DC: Urban-Brookings Tax Policy Center.

The relative importance of these reasons varied by family income (table 1). Those in families with low incomes (below 200 percent of the federal poverty level [FPL]) were significantly more likely than those in families with high incomes (at or above 400 percent of FPL) to report that cost, speed of receiving a tax refund, or the ability to file federal and state tax returns together were their most important reason behind choosing their tax-filing method. In contrast, those in families with high incomes were more likely to report ease of use, accuracy (including a reduced chance of getting audited), or the ability to maximize a tax refund or minimize taxes owed as their top reason. In part, these differences may reflect economic circumstances: those in families with low incomes may understandably wish to pay less for tax filing services, minimize hassle by filing federal and state tax returns together, and receive their refunds faster so they may be able to afford ongoing expenses or pay down their debts.[19]

TABLE 1

Top Reasons Motivating People's Chosen Tax-Filing Methods Vary by Family Income Level

Most important reason	< 200% FPL	200%-400% FPL		> 400% FPL	
Ease of use	21%	26%	**	28%	***
Cost	22%	21%		18%	*
Accuracy, including a reduced chance of being audited	12%	17%	***	21%	***
Ability to maximize a tax refund or minimize taxes owed	9%	10%		12%	*
Ability to file federal and state tax returns together	9%	7%	***	6%	***
Speed of receiving a tax refund	8%	7%		4%	***
Customer service	3%	4%		3%	
Other	3%	2%		2%	

Source: Urban Institute's Well-Being and Basic Needs Survey (WBNS), December 2024.

Note: FPL=federal poverty level. Data include nonelderly adults who reported, as of December 2024, their households filed a federal income tax return, a state income tax return, or both in in the past 12 months. Estimates are not shown for respondents who did not report (4 percent) nor those who reported "don't know" (3 percent).

*/**/*** Estimate differs significantly from adults with family incomes < 200% FPL at the 0.10/0.05/0.01 level, using two-tailed tests.

Among those who reported paying for tax filing services, ease of use, accuracy, and the ability to maximize refunds or minimize taxes owed outweighed cost as the most frequently reported top reason for their choice of filing method (table 2).[20] Because families with low incomes are among the groups that could benefit most from free tax-filing services, understanding why they chose a paid service could inform better program design of free services. Like those with higher incomes, taxpayers with low family incomes who reported paying for filing services emphasized ease of use, accuracy, and maximizing refunds or minimizing taxes owed as their top reasons. They were also more likely than those with higher incomes to report that the ability to file federal and state tax returns together and the speed of receiving a tax refund were their most important reasons.

[19] See, for example: Maag, Elaine, William J. Congdon, and Eunice Yau. 2021. "The Earned Income Tax Credit: Program Outcomes, Payment Timing, and Next Steps for Research." OPRE Report #2021-34. Washington, DC: OPRE, MEF Associates, and the Urban Institute.

[20] Our estimate of how many nonelderly adult taxpayers reported paying for tax filing services (66 percent, excluding those who did not know or did not report their filing method from the denominator) is lower than what other data sources suggest, which may be due to a subset of WBNS respondents reporting they filed for free when they unknowingly paid. The WBNS, like other surveys, is subject to measurement error. Tax data from the IRS also have limitations in assessing how many people file for free. See Crandall-Hollick, Margot, and Aravind Boddupalli. 2026. "We Don't Know How Many People File Their Taxes for Free. Congress Could Fix That." *TaxVox* (blog). Washington, DC: Urban-Brookings Tax Policy Center.

TABLE 2

Among Those Who Reported Paying to File, Ease of Use and Accuracy Motivated Their Chosen Tax-Filing Methods

Most important reason	< 200% FPL	200%-400% FPL		> 400% FPL	
Ease of use	22%	27%	*	29%	**
Cost	11%	12%		9%	
Accuracy, including a reduced chance of being audited	18%	23%	**	27%	***
Ability to maximize a tax refund or minimize taxes owed	15%	13%		15%	
Ability to file federal and state tax returns together	10%	6%	***	6%	***
Speed of receiving a tax refund	9%	7%		4%	***
Customer service	5%	5%		5%	
Other	3%	2%		3%	

Source: Urban Institute's Well-Being and Basic Needs Survey (WBNS), December 2024.

Notes: FPL=federal poverty level. Data include nonelderly adults who reported, as of December 2024, their households filed a federal income tax return, a state income tax return, or both in in the last 12 months; and, that they paid for tax filing services. Estimates are not shown for respondents who did not report (4 percent) nor those who reported "don't know" (3 percent).

*/**/*** Estimate differs significantly from adults with family incomes < 200% FPL at the 0.10/0.05/0.01 level, using two-tailed tests.

In choosing their tax-filing method, taxpayers are taking into consideration how convenient and easily navigable tax-filing methods are, which may include factors like whether they have a mobile-friendly interface, multilingual capacity, prepopulation of information from prior years and from forms like W-2s, and integrated state filing. Tax filers may also choose to pay for preparation and filing services because they perceive this cost to be "worth it" if it results in their tax refund arriving quicker or if they face fewer issues, like audits, down the road.

If Congress and the IRS want to improve tax compliance and make sure eligible households keep more of the benefits they have earned, these findings suggest policymakers should prioritize policies that ensure tax-filing methods are easy to use, provide taxpayers with information on their returns' accuracy, and facilitate quick access to tax refunds, in addition to making filing methods affordable. Policymakers can accomplish these goals in a variety of ways, including reforms to the Free File program, renewal of the Direct File program, regulation of both noncredentialled paid preparers and online commercial tax preparation software, and expanded outreach and awareness efforts.

Most Americans, across varied demographic groups, had expressed interest in using the IRS's Direct File program,[21] and participants in the Direct File pilot rated their experience highly,[22] but this pilot program has since been eliminated. Reductions to the IRS's budget and taxpayer assistance services could also limit the availability and uptake of free and low-cost tax filing in subsequent tax-filing seasons, jeopardizing access to tax benefits among eligible populations.[23]

Our findings also highlight the need for better data on how many people file their taxes for free. Prior investigations suggest that fewer people file for free using online commercial tax preparation software than anticipated.[24] Some people may be unaware they are paying for a service if the costs are subtracted from their tax refunds.

As many Americans struggle to afford basic necessities,[25] tax refunds will likely be important in helping many families make ends meet. Ensuring families can file their tax returns easily, affordably, and accurately increases the chances that eligible families receive refunds and benefits that strengthen their financial security.

[21] Boddupalli, Aravind, Margot Crandall-Hollick, Michael Karpman, and Noah Kennedy. "Most Americans Are Interested in Using IRS Direct File to Prepare and File Their Taxes." Washington, DC: Urban-Brookings Tax Policy Center.
[22] Grimm, Annelise. 2025. "Code for America's Guide to the IRS Free Tax Filing Survey." Oakland, CA: Code for America.
[23] See, for example Holtzblatt, Janet. 2026. "What Will The 2026 Filing Season Look Like?." *TaxVox* (blog). Washington, DC: Urban-Brookings Tax Policy Center; Gleckman, Howard. 2026. "The Biggest Tax Stories To Watch In 2026 Include Filing Season, ACA Tax Credits, And Tariffs." *TaxVox* (blog). Washington, DC: Urban-Brookings Tax Policy Center.
[24] Government Accountability Office, "Why Don't More Taxpayers Take Advantage of Free Help Filing Taxes Online?," *Watchblog: Following the Federal Dollar*, Government Accountability Office, May 10, 2022.
[25] Urban Institute. 2025. "The American Affordability Tracker: Data on Americans' Finances and Everyday Costs." Washington, DC: Urban Institute.

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