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 **TRENDING NOW** | Trump Lawyer Attacks 'Self-Serving' Court-Appointed Monitor as a 'Javert' After She Calls Out Financial 'Errors'

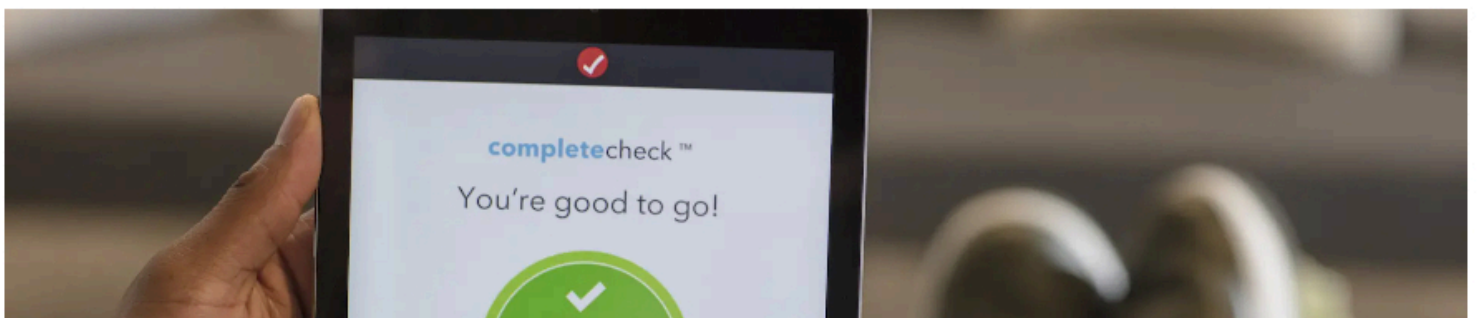
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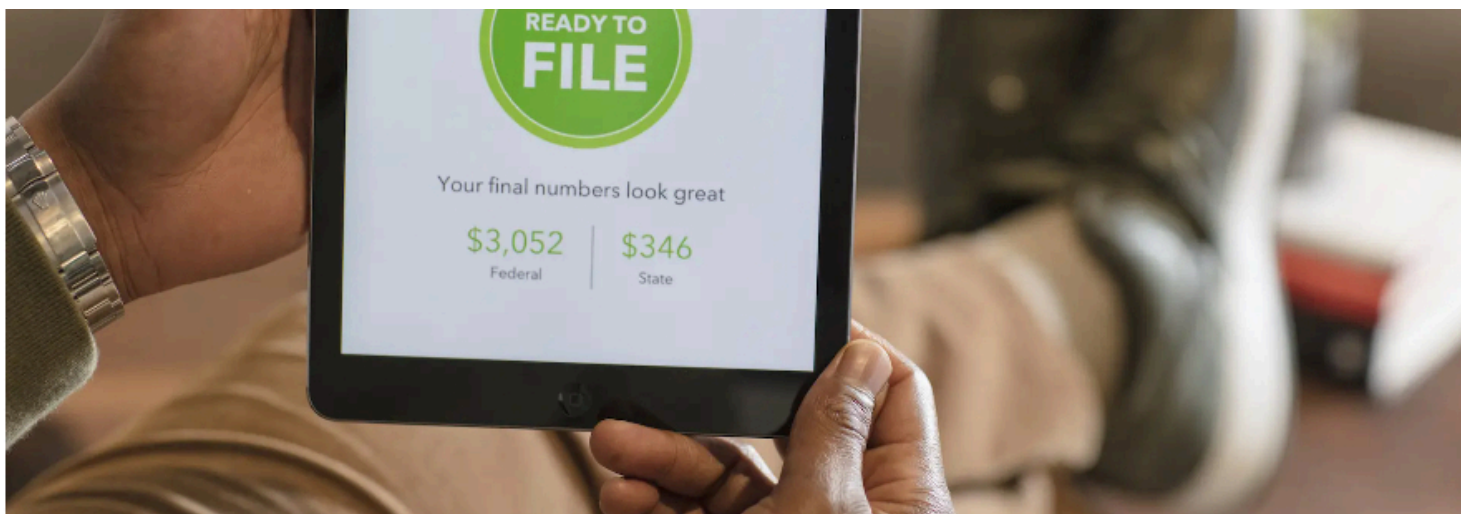
## When Is Filing Your Taxes 'For Free' Really Free? It's Complicated

On Monday, the FTC issued a blistering ruling against Intuit, maker of TurboTax, for misleading taxpayers about costs. Intuit vehemently denounced the regulator

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[Lynnley Browning](#)





**“You can end up at a place that looks like a free file site or is otherwise advertised as free — because it says ‘free’ all over the place — but it’s not,” says a tax law professor.** Kimberly White/Getty Images

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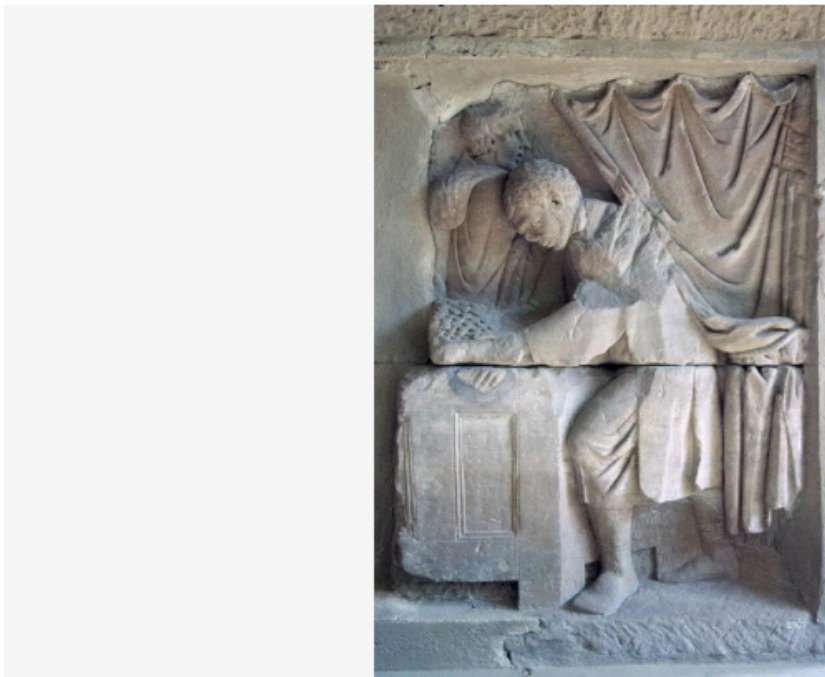
**“F**ree” is the hot-but-contentious word for millions of American taxpayers this filing season, which opens next week.

But good luck figuring out exactly what it means — even after regulators issued a blistering ruling against the maker of the popular TurboTax software on Monday for engaging in deceptive advertising of its "free" services.

Many of the nearly 129 million Americans [filing an individual return](#) starting on January 29 face a confusing welter of no-cost options for doing so electronically, which is the fastest way to get a refund (typically [fewer than 21 days](#)).

But there are stark differences between the various free options: they range from services at tax preparation software companies like Intuit and H&R Block to a new IRS pilot program for taxpayers across 12 states, including California, Florida and Texas.

“You can end up at a place that looks like a free file site or is otherwise advertised as free — because it says ‘free’ all over the place — but it’s not,” said Dennis Ventry Jr., a tax law professor at UC-Davis School of Law.



A Roman relief of a man counting collected rent and taxes. CM Dixon/Print Collector/Getty Images

At stake for many taxpayers amid the looming April 15 deadline is the hundreds, and sometimes thousands, of dollars that tax-preparation services cost, whether through online software like TurboTax or a visit to an accountant's office.

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Last year, new clients paid their preparer [an average of \\$218](#), roughly 23% more than in 2021, according to the National Association of Tax Professionals. But fees vary widely by geography — coastal cities tend to charge more — and how complex or disorganized a client is. People with small businesses typically pay a certified public accountant [up to \\$3,000 or more](#) to wrangle both their individual and business returns.

For its part, the Internal Revenue Service is worried about unscrupulous tax preparers who prepare false or fake returns and peddle high-priced loans as part of preparing a return, an unregulated industry the National Taxpayer Advocate, the IRS's internal watchdog, calls a "[Wild West](#)." The tax agency sees its pilot Direct File pilot program as a way for taxpayers [to avoid stress](#), anxiety and scammers.

### **A Scorching Ruling**

Still, "free" got even more complicated when the Federal Trade Commission issued a final ruling that once again [slapped Intuit](#) for engaging in "a broad, enduring, and willful [deceptive advertising campaign](#)" that harmed millions of consumers — including gig workers and farmers, who didn't actually qualify for free filing services and ended up paying up to hundreds of dollars to the Mountain View, California-based company. A ProPublica investigation in 2019 detailed how the tax giant's "free" services [weren't actually free](#).

The FTC [ordered Intuit](#) to advertise its services as free only if they're free for everyone — a condition that could potentially put the company out of business — or make clear the percentage of taxpayers to whom the claim "free" applies. The regulator noted that

Intuit had once run a “Free, Free, Free, Free” television campaign in which actors at a cattle auction, an exercise class and a spelling bee basically said only one word — “free.” The agency argued that a cease-and-desist order on the company “was essential.”

More than 40 million people [filed their own returns](#) using TurboTax last year. TurboTax’s website says that 37% of all taxpayers are eligible for its free file service. But the FTC said in its [final ruling](#) that roughly two out of three tax filers ended up paying for TurboTax’s “free” product in 2020.

Tania Mercado, a spokesperson for Intuit, said in a statement on Tuesday that “This decision is the result of a biased and broken system where the Commission serves as accuser, judge, jury, and then appellate judge all in the same case.” She said Intuit would appeal the decision.



The IRS expects nearly 129 million Americans to file individual returns. Tim Boyle/Getty Images

Monday’s ruling upheld an FTC administrative law judge’s [initial decision against the company](#) last September. The FTC [first sued Intuit](#) in March 2022; in May of that year, the company settled a case brought by state attorneys general and [agreed to pay \\$141 million](#) over its “free” claims.

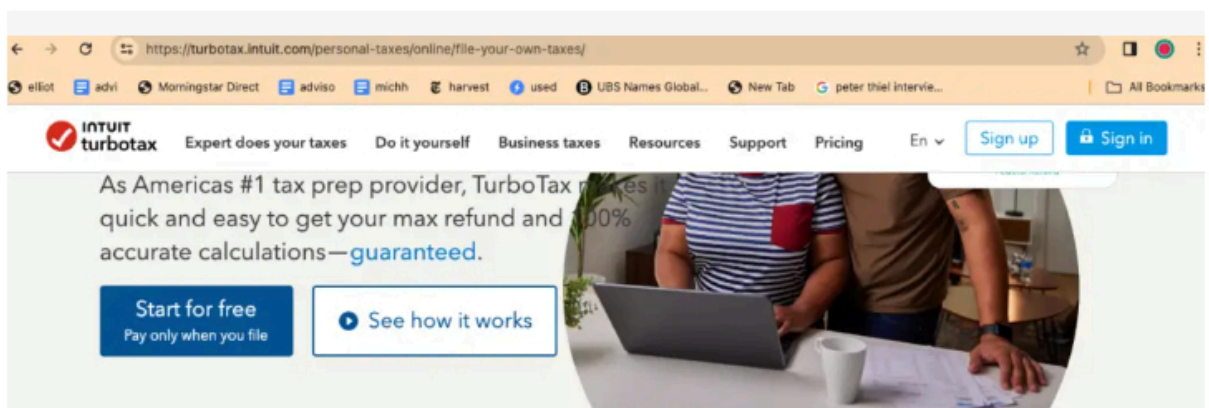
“The FTC clearly has had enough of Intuit,” Ventry told The Messenger. He called the company’s practices “morally reprehensible in that they attacked the most vulnerable and often least sophisticated taxpayers: low-income, lacking English proficiency, students, disabled, members of the military and small business owners.”

Mercado said in her statement that “Absolutely no one should be surprised that FTC Commissioners — employees of the FTC — ruled in favor of the FTC as they have done in every appeal for the last two decades.”

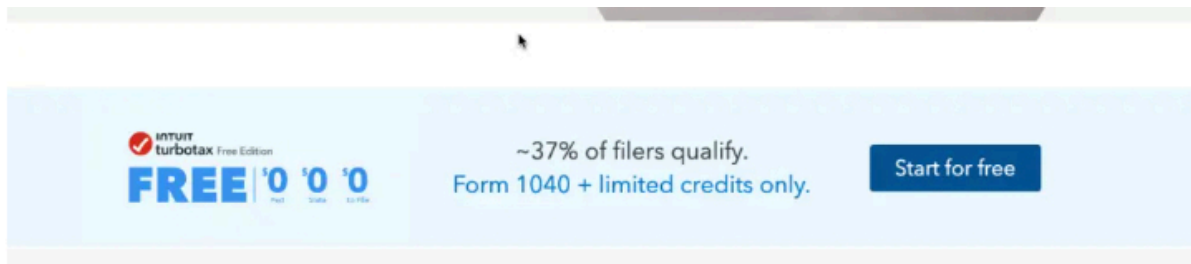
## Free and Clear?

The FTC ruling, coming just as the filing season kicks into full swing, would seem to clear up any confusion over whether TurboTax’s “free” services actually come at no cost. But it’s not that simple.

Visitors to [TurboTax’s “File Your Own Taxes” page](#) early Tuesday were greeted with “FREE” in big, blue letters, above “\$0 Fed,” “\$0 State” and “\$0 to File.” Then there’s “Get your maximum tax refund, 100% free,” and “Pay \$0 federal, \$0 state with TurboTax Free Edition.” Intuit says on the page that “37% of filers qualify” for the free service. The page said the average refund was [\\$3,140](#), below the phrase “Great refund!” The figure is from IRS data as of Feb. 17, 2023. By mid-May of that year, IRS data showed the average refund at [\\$2,812](#).







A screenshot of part of TurboTax's website on Tuesday.

To figure out if you qualify to file for TurboTax for free, you have to click on a link, "[Form 1040 + limited credits only.](#)," which tells you that the free service is only for people with W-2 wage income, the Earned Income Tax Credit, the Child Tax Credit, no more than \$1,500 of taxable interest and dividends, the standard deduction, and student loan interest deduction.

Those not eligible include people who itemize their deductions, received unemployment income last year, had rental or business income, sold stocks or cryptocurrencies or had various other "credits, deductions and income reported on other forms or schedules."

TurboTax doesn't explicitly state that gig workers, who don't receive W-2 income, aren't eligible to file for free. Nor does it spell out that homeowners claiming the mortgage interest deduction fall into the uneligible-for-free category.

Then things get more confusing.

Despite stating that nearly one in four individual taxpayers are eligible to file for free, fine print on another page on TurboTax's website says that "For most paid TurboTax online and mobile offerings, you may start using the tax preparation features without paying upfront, and [pay only when you are ready to file](#) or purchase add-on products or services."

## **A Direct Line to the IRS**

For the first time, millions of individuals can file their federal

returns at no cost directly to the IRS through its Direct File pilot program for a dozen states, including Arizona, Massachusetts, New Hampshire, Nevada, South Dakota, Tennessee, Washington and Wyoming.



The tax filing season opens on January 29, with returns due by April 15. Chip Somodevilla/Getty Images

[Direct File](#), which the IRS eventually hopes to make available nationwide, walks an ordinary taxpayer through the notoriously unpleasant steps, with real-time online support from IRS customer service representatives in English and Spanish. Taxpayers can file their returns from their computer, laptop, tablet or even their smartphone. The IRS estimated in a [report](#) to Congress last year that anywhere from 5 million to 25 million individuals will use the service this year. But a report last October by the Treasury Inspector General for Tax Administration said that the agency may have [overestimated](#) how many people would use the program.

The IRS spells out that only people with regular wage income of any amount can use Direct File — gig economy workers, freelancers, small business owners and people with income from partnerships can't. Neither can people who itemize their deductions, so homeowners who deduct their mortgage interest are shut out. But



taxpayers who receive the Earned Income Tax Credit or Social Security checks and who deduct student loan interest or educator's expenses are eligible.

The agency says that Direct File has strong data-security protections and will be more widely available in mid-March. While the pilot doesn't prepare state returns, it guides residents of Arizona, California, Massachusetts, New York and Washington to a state-supported tool that does just that.

"If from the standpoint of anxiety and cost, millions of people don't have to rely on tax prep companies, then it's a smashing success," Ventry said.



Counters at medieval France's Royal Treasury peruse a treatise on money, likely the "De Moneta" by Nicolas Oresme, 14th century, Bibliothèque nationale de France. Leemage/Corbis via Getty Images

Government-run, no-cost filing programs aren't a new idea. Joseph Bankman, the father of convicted cryptocurrencies magnate Samuel Bankman-Fried and a tax law professor at Stanford University, championed a version of Direct File for California in 2005, according to an In These Times [article](#). The state's ReadyReturn pilot ended when Intuit and others [sued](#) the California Franchise Tax Board.

## Tax Wars

Tax software companies have lobbied fiercely against the IRS's Direct File program, which could seriously cut into their revenues.

Intuit's Mercado called it in a statement Tuesday "a thinly veiled scheme" and a "half-baked solution" that "could end up wasting billions of taxpayer dollars."

The program, she added, "is asking Americans to file their taxes directly with the IRS after the organization publicly acknowledged systemic inequities that see low-income filers and Black taxpayers targeted for audit at disproportionately higher rates." The IRS last September that it had [backed off those targeted audits](#).

A separate IRS program called [Free File](#) lets taxpayers with adjusted gross income of \$79,000 or less file their taxes for free through private tax software companies. H&R Block [stopped participating](#) in the [program](#) in 2020; Intuit [left](#) in 2021. [Participating companies now include](#) TaxSlayer, TaxHawk, TaxACT and ezTaxReturn.com. Around [since 2002](#), the program began accepting returns for 2023 [on Jan. 12](#).

Around seven in 10 taxpayers qualify to use Free File, but only 2% did so during the 2022 filing season, [according to](#) the National Taxpayer Advocate. Last year, the watchdog said that even fewer people, or just over [2.6 million Americans](#), used the service, a 10% drop on 2022.