

Goal: Getting Payments Right

Program or Activity
American Opportunity Tax Credit

Reporting Period
Q1 2020

Change from Previous FY (\$M)

N/A

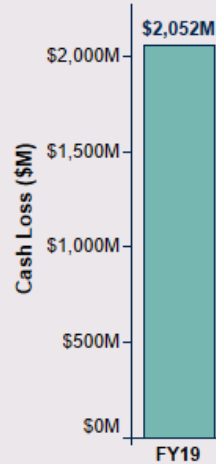


Treasury
American Opportunity Tax Credit

Brief Program Description:

AOTC is a credit for qualified education expenses paid for eligible students for the first 4 years of higher education. Up to 40% (\$1,000) of the annual maximum amount is refundable.

Cash Loss by FY (\$M)



Key Milestones		Status	ECD
1	Develop mitigation strategies to get the payment right the first time	Completed	Aug-19
2	Evaluate the ROI of the mitigation strategy	At Risk	Sep-20
3	Determine which strategies have the best ROI to prevent cash loss	At Risk	Sep-20
4	Implement new mitigation strategies to prevent cash loss	On-Track	Oct-19
5	Analyze results of implementing new strategies	On-Track	Sep-20

Quarterly Progress Goals			Status	Notes	ECD
1	Q1 2020	Reject electronic returns with missing or inconsistent information via math error.	On-Track	In FY 2018, approximately 72% of all returns are filed electronically.	Sep-20
2	Q1 2020	Conduct post-refund audits to recapture overclaims.	On-Track	In FY 2019, document matching accounted for 44% of all base enforcement activities (i.e., Audit Closures, Math Error Notices, and Document Matching) and protected over \$1 billion in revenue.	Sep-20

Recent Accomplishments		Date
1	IRS held 3rd Refundable Credit summit to share progress on recent legislative provisions, provide info on current activities and plans for 2020 filing season, and get input to increase participation, improve administration and reduce RTC overclaims.	Sep-19
2	Continued partnership with members of key tax software associations to reduce RTC overclaims and assist preparers in meeting due diligence requirements. IRS shared the FY2020 return preparer strategy and preparer-related filing season improvements.	Dec-19

Amt(\$)	Root Cause	Root Cause Description	Mitigation Strategy	Anticipated Impact of Mitigation
\$1,293M	Program design or structural issues	Approx. \$1.3B (63%) of AOTC overclaims is because IRS lacks data to confirm payment accuracy during return processing or the authority to enforce eligibility requirements during processing when the data exists.	IRS will continue math error notices, document matching, return preparer initiatives, etc. IRS will continue outreach/education programs and work with Treasury on legislative proposals to improve compliance and reduce overclaims.	Reduce taxpayer filing error, educate taxpayers and paid preparers on the law and common filing errors.
\$759M	Inability to authenticate eligibility: data needed does not exist	Approx. \$0.76B (37%) of total AOTC overclaims is due to the lack of data needed to support automated compliance checks, misreported income, and filing status errors.	IRS will continue math error notices, document matching, return preparer initiatives, etc. IRS will continue outreach/education programs and work with Treasury on legislative proposals to improve compliance and reduce overclaims.	Reduce taxpayer filing error, educate taxpayers and paid preparers on the law and common filing errors.

Cash Loss - Cash loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.