Goal: Getting Payments Right

Program or Activity
Earned Income Tax Credit

Reporting Period
Q1 2020

## Change from Previous FY ($M) -$1,092M ⬇

Treasury
Earned Income Tax Credit

Brief Program Description:
Earned Income Tax Credit (EITC) is a refundable tax credit for working families with low to moderate incomes.EITC reduces the amount of tax you owe and may give you a refund.To qualify, taxpayers must meet certain requirements and file a tax return.

Cash Loss by FY ($M)

FY16 $17,956M · FY17 $17,459M · FY18 $18,443M · FY19 $17,352M
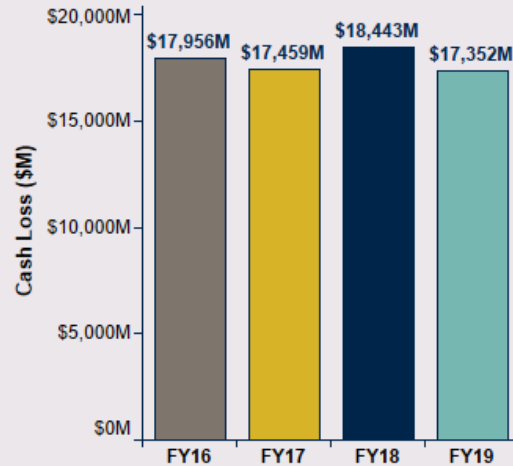
	Key Milestones	Status	ECD
1	Develop mitigation strategies to get the payment right the first time	On-Track	Aug-19
2	Evaluate the ROI of the mitigation strategy	At Risk	Sep-20
3	Determine which strategies have the best ROI to prevent cash loss	At Risk	Sep-20
4	Implement new mitigation strategies to prevent 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	Approximately, 94% of EITC returns are filed electronically.	Sep-20
2	Q1 2020	Conduct pre-refund audits.	On-Track	In FY 2019, approximately 300K refundable credit audits were conducted and about 91% were pre-refund.	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
3	Document Matching: IRS conducted its post-refund document matching process that compares income reported on tax returns with income reported by the employer.	Dec-19

Amt($)	Root Cause	Root Cause Description	Mitigation Strategy	Anticipated Impact of Mitigation
$16,311M	Inability to authenticate eligibility: data needed does not exist	Approximately $16,310.51 million, or 94 percent, of EITC overclaims are from the inability to authenticate eligibility. This includes errors with the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting	IRS will continue examinations, math error notices, 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 error pre-filing and post-filing; educate taxpayers and paid preparers on the law and common filing errors.
$1,041M	Program design or structural issues	Approximately $1,041.10 million, or six percent, of overclaims are from program design limitations. Errors caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed.	IRS will continue current efforts such as examinations, document matching, criminal investigation, etc. IRS will also continue outreach/education programs, and work with Treasury on legislative proposals to improve compliance and reduce overclaims.	Reduce taxpayer error pre-filing and post-filing; 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.