

## Goal: Getting Payments Right

**Program or Activity**  
American Opportunity Tax Credit

**Reporting Period**  
Q4 2020

**Change from Previous FY (\$M)**

N/A

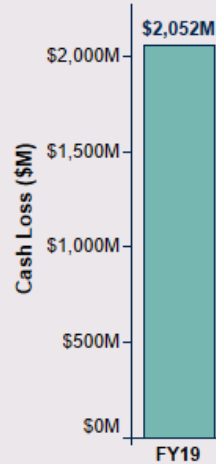


**Treasury**  
American Opportunity Tax Credit

**Brief Program Description:**

The AOTC is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. Up to 40% or \$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-21
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	Completed	Sep-21
5 Analyze results of implementing new strategies	On-Track	Sep-21

Quarterly Progress Goals			Status	Notes	ECD
1	Q4 2020	Reject electronic returns with missing or inconsistent information via math error.	Completed	In general, approximately 73% of all returns are filed electronically.	Sep-20
2	Q4 2020	Conduct post-refund audits to recapture overclaims.	Completed	N/A	Sep-20

Recent Accomplishments					Date
1	IRS Nationwide Tax Forum – The IRS hosted its annual tax forum and included a session specific to understanding eligibility rules for the refundable credits including AOTC. The session was attended by over 7,200 participants.				Jul-20
2	Refundable Credits Summit – The IRS hosted its annual summit attended by over fifty stakeholders including representatives from various tax professional industries, federal agencies, consumer advocacy groups, and non-governmental organizations.				Sep-20
3	Software Developer Working Group – The IRS continued its partnership with members of key tax software associations to reduce refundable credit errors and assist preparers in meeting their due diligence requirements.				Sep-20

Amt(\$)	Root Cause	Root Cause Description	Mitigation Strategy	Anticipated Impact of Mitigation
\$1,293M	Program design or structural issues	Approximately \$0.86 billion, or 37 percent, of 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.	The IRS will continue examinations, 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 errors, educate taxpayers and paid preparers on the law and common filing errors.
\$759M	Inability to authenticate eligibility: data needed does not exist	Approximately \$1.46 billion, or 63 percent, of overclaims is due to the lack of data needed to support automated compliance checks, misreported income, and filing status errors.	The IRS will continue examinations, 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 errors, 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.