

# Payment Integrity Scorecard

**Program or Activity**  
American Opportunity Tax Credit

**Reporting Period**  
Q1 2021

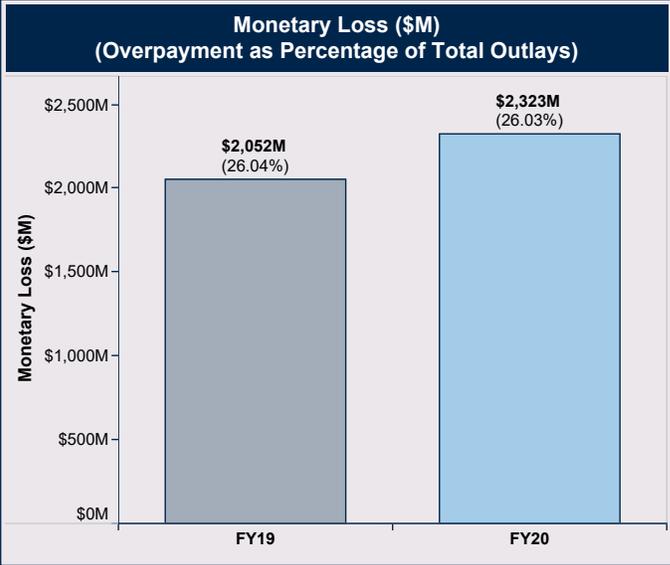
**Change from Previous FY (\$M)**

**\$271M** 



**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 \$1000 of the annual maximum amount is refundable.



Key Milestones		Status	ECD
1	Develop mitigation strategies to get the payment right the first time	On-Track	Aug-21
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-21
4	Implement new mitigation strategies to prevent cash loss	On-Track	Oct-21
5	Analyze results of implementing new strategies	On-Track	Sep-21
6	Achieved compliance with PIIA	On-Track	Sep-21
7	Identified any data needs for mitigation	On-Track	Sep-21

Goals towards Reducing Monetary Loss			Status	ECD
1	Q1 2021	Conduct post-refund activities to recapture overclaims.	On-Track	Sep-21
2	Q1 2021	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-21

Recovery Method	Brief Description of Plans to Recover Overpayments
1 Recovery Activity	IRS conducts post refund audits selected by Dependent Database (Ddb) to recapture payments that were made to ineligible taxpayers or payments in the wrong amount that were made to eligible taxpa...
2 Recovery Activity	IRS matches payer information in the Information Returns Master file with taxpayer return information in the Individual Master File to verify the taxpayer reported all income as required.
3 Recovery Activity	The IRS uses informational notices to educate taxpayers on the law and eligibility requirements for AOTC. Taxpayers are informed to file amended returns if the credit was claimed in error or in the inc...

Accomplishments in Reducing Monetary Loss			Date
1	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
2	2021 AOTC Annual Communication Plan Meetings - The IRS continued its collaboration with key internal stakeholders in developing and implementing an annual AOTC Communication Plan. This includes planning outreach activities to inform the public.		Oct-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.		Dec-20

Amt(\$)	Root Cause of Monetary Loss	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$1,463M	Other reason	Information needed to confirm payment accuracy is not available at the time the return is processed or when IRS does not have authority to enforce eligibility requirements when it does have the necessary information at the time returns are processed.	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.
\$859M	Inability to authenticate eligibility: data needed does not exist	37% of overclaims-includes errors IRS can only verify via audit since no data exists to support automated compliance checks. Most of the errors in this category relate to eligibility criteria not reported on Form 1098-T, Tuition Statement.	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.

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