Goals towards Reducing Monetary Loss

- Develop mitigation strategies to get the payment right the first time
- Evaluate the ROI of the mitigation strategy
- Determine which strategies have the best ROI to prevent cash loss
- Implement new mitigation strategies to prevent cash loss
- Achieve compliance with PIIA
- Analyze results of implementing new strategies
- Identify any data needs for mitigation

Accomplishments in Reducing Monetary Loss

1. The IRS provided information on ACTC eligibility.
2. IRS delivered its "Keys to Mastering Due Diligence Requirements and Audits" webinar, which included guidance to help understand eligibility rules for refundable credits, including the ACTC.
3. SDWG meeting was held to discuss concerns in the preparer community related to refundable credits and return preparer due diligence.

Recovery Method

- Recovery Activity 1: IRS conducts post refund audits selected by Dependent Database (DDb) to recapture payments that were made to ineligible taxpayers. Taxpayers are informed to file amended returns.
- Recovery Activity 2: 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.
- Recovery Activity 3: IRS sends letters to alert taxpayers that a qualifying child for the ACTC claimed on their returns had also been claimed by another person. Taxpayers are informed to file amended returns if the credit was claimed in error or in the incorrect amount.

Amount of Monetary Loss

<table>
<thead>
<tr>
<th>Amt($)</th>
<th>Root Cause of Monetary Loss</th>
<th>Root Cause Description</th>
<th>Mitigation Strategy</th>
<th>Brief Description of Mitigation Strategy and Anticipated Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,234M</td>
<td>Inability to authenticate eligibility: data needed does not exist</td>
<td>Approx. 94% of ACTC overclaims are from the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting because the data needed does not exist at the time of filing.</td>
<td>The 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.</td>
<td>Reduce taxpayer filing errors, educate taxpayers and paid preparers on the law and common filing errors.</td>
</tr>
<tr>
<td>$270M</td>
<td>Other reason</td>
<td>Approximately $0.27 billion, or 6%, of ACTC 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.</td>
<td>The IRS will continue current efforts such as examinations, math error, criminal investigation, etc. IRS will also continue outreach/education programs and work with Treasury on legislative proposals to improve compliance and reduce overclaims.</td>
<td>Reduce taxpayer filing errors, educate taxpayers and paid preparers on the law and common filing errors.</td>
</tr>
</tbody>
</table>

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