

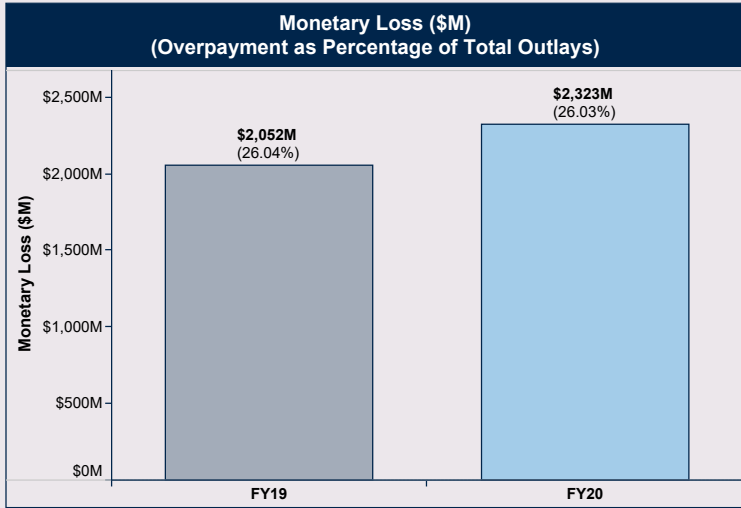
Payment Integrity Scorecard

Program or Activity American Opportunity Tax Credit	Reporting Period Q3 2021
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Change from Previous FY (\$M)	\$271M	
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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 Q3 2021 Conduct post-refund activities to recapture overclaims.	On-Track	Sep-21
2 Q3 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	Brief Description of Actions Taken 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 taxpayers.	Examination Closures
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.	Document Matching
3 Recovery Activity	The IRS has been granted statutory authority to use an automated process to identify certain math or other computational irregularities and automatically adjust the return for the taxpayer.	Math Errors

Accomplishments in Reducing Monetary Loss		Date
1	Preparer Due Diligence Webinar - The IRS delivered its "Keys to Mastering Due Diligence Requirements and Audits webinar, which included guidance to help understand eligibility rules for the refundable credits, including the AOTC.	Feb-21
2	Communications Effectiveness Study - The IRS conducted a preliminary study on the effectiveness of tax credit communications that promote take-up and understanding of the AOTC by taxpayers and their representatives.	Jun-21
3	Software Developer Working Group (SDWG) - Continued partnership with key tax software associations. The 3rd quarter SDWG meeting was held to discuss concerns with preparer community related to record-keeping and requirements for due diligence.	Jul-21

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 and 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.