

# Payment Integrity Scorecard

**Program or Activity**  
Internal Revenue Service - American Opportunity Tax Cr..

**Reporting Period**  
Q2 2022

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

**-\$449M**



**Treasury**

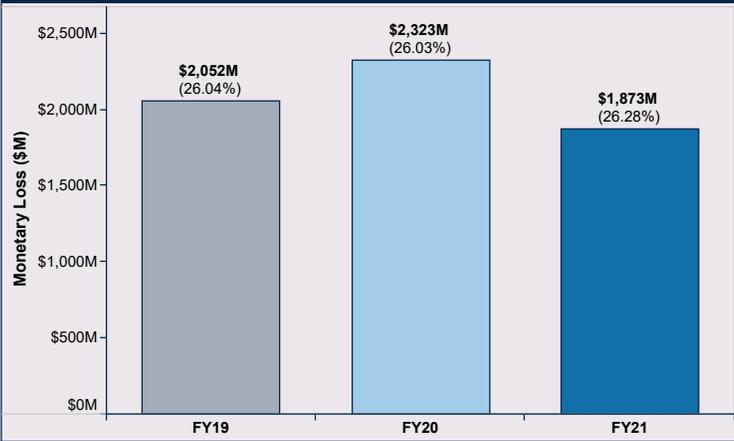
Internal Revenue Service - American Opportunity Tax Credit

**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-22 |
| 2 Evaluate the ROI of the mitigation strategy                           | At Risk  | Sep-22 |
| 3 Determine which strategies have the best ROI to prevent cash loss     | At Risk  | Sep-22 |
| 4 Implement new mitigation strategies to prevent cash loss              | On-Track | Oct-22 |
| 5 Analyze results of implementing new strategies                        | On-Track | Sep-22 |
| 6 Achieved compliance with PIIA   | At Risk  | Sep-25 |
| 7 Identified any data needs for mitigation                              | On-Track | Sep-22 |

**Monetary Loss (\$M)  
(Overpayment as Percentage of Total Outlays)**



| Goals towards Reducing Monetary Loss   | Status   | ECD    |
|--|----------|--------|
| 1 Q2 2022 Reject electronic returns with missing or inconsistent information via math error. | On-Track | Sep-22 |
| 2 Q2 2022 Conduct post-refund activities to recapture overclaims.                            | On-Track | Sep-22 |

| 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   | The IRS delivered its "Keys to Mastering Due Diligence Requirements" webinar, which included guidance on paid preparer due diligence requirements for the AOTC and head of household filing status.   |  | Jan-22 |
| 2   | The IRS partnered with more than 1,500 key stakeholders to hold its annual EITC Awareness Day, a nationwide effort to increase awareness about the EITC (to include AOTC and other refundable credits) and filing requirements.                   |  | Jan-22 |
| 3   | Refundable Credits Participation Working Group- 2nd quarter meeting discussed ways IRS could increase the effectiveness of its outreach efforts and share educational tools with partners to increase refundable credit compliance and awareness. |  | Mar-22 |

| Amt(\$)  | Root Cause of Monetary Loss  | Root Cause Description   | Mitigation Strategy  | Brief Description of Mitigation Strategy and Anticipated Impact  |
|----------|--|--|--|--|
| \$1,180M | Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed. | 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. | Statutory Change - Proposed changes to statute that would change conditions giving rise to improper payments | Verifying AOTC eligibility at time of filing will allow us to reduce improper payments.  |
| \$693M   | Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.            | This root cause includes errors that IRS can only verify via audit since no data exists to support automated compliance checks.  | Statutory Change - Proposed changes to statute that would change conditions giving rise to improper payments | Verifying AOTC eligibility at time of filing will allow IRS to reduce improper payments and to reduce taxpayer filing errors and 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.