

Payment Integrity Scorecard

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

Reporting Period
Q4 2022

Change from Previous FY (\$M)

-\$449M



Treasury

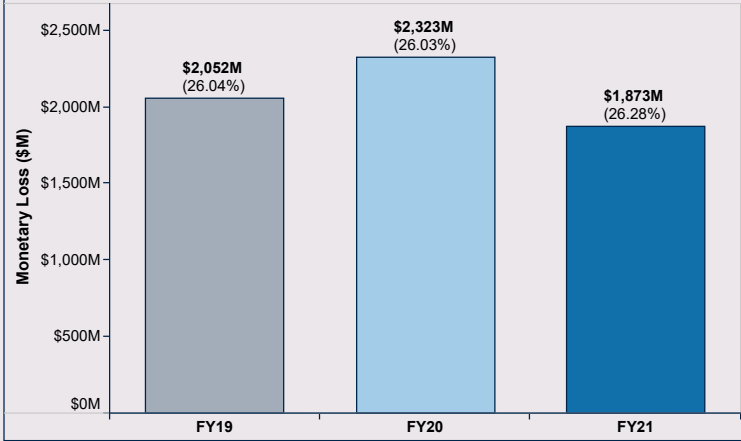
Internal Revenue Service - American Opportunity Tax Credit

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 Q4 2022 Reject electronic returns with missing or inconsistent information via math error.	Completed	Sep-22
2 Q4 2022 Conduct post-refund activities to recapture overclaims.	Completed	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 Software Developers Working Group (SDWG) - The IRS continued its partnership by holding its quarterly meeting with members of key tax software associations to reduce refundable credit errors and to assist preparers in meeting their due diligence.	Jul-22
2 The Latino Tax Fest is the largest gathering of tax professionals and accountants who serve the Latino and immigrant market. The presentation included information specific to understanding eligibility rules for the refundable credits.	Jul-22
3 IRS Nationwide Tax Forum - The IRS hosted its annual tax forum and presented "Looking to Tax Year 2022: American Rescue Plan Tax Changes to the Earned Income Tax Credit and Other Child-Related Credits", which was specific to understanding eligibility	Aug-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.