

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Additional Child Tax Credit

Reporting Period

Q2 2023

FY 2022 Overpayment Amount (\$M)*

\$5,182

*Estimate based a sampling time frame starting 1/2019 and ending 12/2019



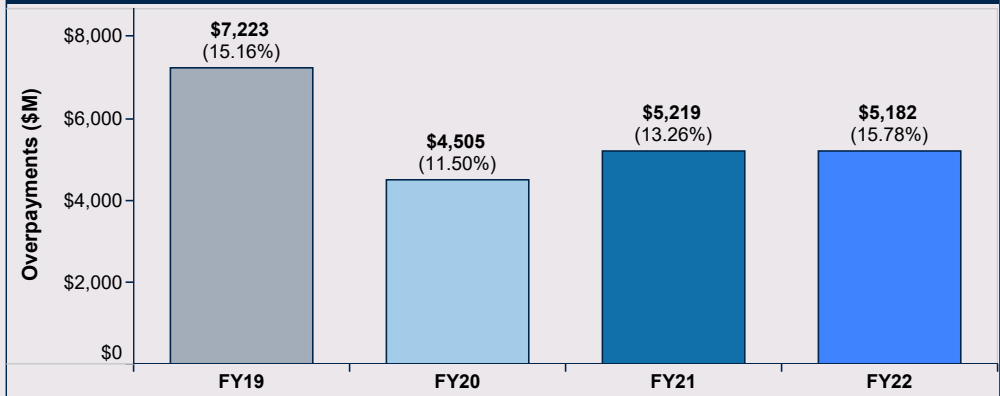
Treasury

Internal Revenue Service - Additional Child Tax Credit

Brief Program Description & summary of overpayment causes and barriers to prevention:

ACTC, the refundable part of the Child Tax Credit (CTC), is a social benefits program for working families that is administered through the Internal Revenue Code. Majority of overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. The remaining 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.

**Historical Payment Rate and Amount (\$M)
(Overpayment as Percentage of Total Outlays)**



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

Pre-Refund Examinations – The IRS identifies tax returns and amended returns (or, in the case of amended returns, prevents the issuance of the refund) for examination and holds the refundable portion of the refund until an audit can be completed. Two- and 10-Year Bans – The IRS embargoes taxpayers from claiming credits if the taxpayers’ previous claims were due to reckless or intentional disregard of the rules and regulations or to fraud. Pre-Refund Automated Questionable Credit Program – The IRS uses an automated program designed to protect revenue by covering returns that are currently untreated or undertreated by other available programs across the IRS.

Accomplishments in Reducing Overpayment

Date

		Date
1	Refundable Credits Summit - The summit was attended by over 100 external stakeholders. The IRS shared details of its compliance and outreach activities and solicited input on ways to increase refundable credit participation, improve administration and reduce overclaims.	Oct-22
2	Software Developer Working Group (SDWG) – The FY 2023 First Quarter SDWG meeting was held to discuss issues and concerns related to refundable tax credits, as well as the Return Preparer Strategy (RPS) FY 2023 treatments.	Oct-22
3	Filing Season Readiness Webinar – The 2023 webinar focused on the permanent American Rescue Plan tax law changes related to refundable credits and outlined the due diligence responsibilities for paid return preparers.	Jan-23

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Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1 Conduct pre-refund audits.	On-Track	Sep-23	1 Recovery Activity	Examination Closures- IRS conducted audits selected by the Dependent Database (DDb) to recapture payments that were made to ineligible taxpayers or payments for the wrong amount that were made to eligible taxpayers.	<ul style="list-style-type: none"> Examination Closures – Through the second quarter of FY23, the IRS has completed examinations of more than 2,518 returns claiming the ACTC, protecting more than \$10M.
2 Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-23	2 Recovery Activity	Two- and 10-Year Bans – The IRS imposes two and 10-year bans on taxpayers if the IRS determines that the taxpayers' claims were due to reckless or intentional disregard of the rules and regulations or to fraud.	<ul style="list-style-type: none"> Two- and 10-Year Bans – Through the second quarter of FY23, the IRS has imposed two-year bans on 627 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law, and 14 10-year bans on taxpayers deemed to have claimed the ACTC fraudulently.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$4,871M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$4.87B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing.	Cross Enterprise Sharing - sharing of documents, processes, and opportunities with intra-agency partners and stakeholder. Potentially managed through federated repositories and a registry to create a longitudinal connection to information used to mitigate Improper Payments	The IRS will continue to leverage data sharing pursuant to various interagency agreements, e.g., HHS and SSA, to more accurately validate refunds entitled to a taxpayer; thus, allowing the IRS to enforce laws passed by Congress more effectively.
\$311M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.31B 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.	Change Process – altering or updating a process or policy to prevent or correct error.	The IRS will also continue to hold its annual Dependent Database (DDb) meetings with stakeholders in the Wage & Investment, Small Business & Self Employed, and IT divisions, to evaluate the value of prior-year compliance filters for audit selection of returns claiming EITC.