

# Payment Integrity Scorecard

## Program or Activity

Internal Revenue Service - Earned Income Tax Credit

## Reporting Period

Q2 2023

## FY 2022 Overpayment Amount (\$M)\*

**\$18,177**

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



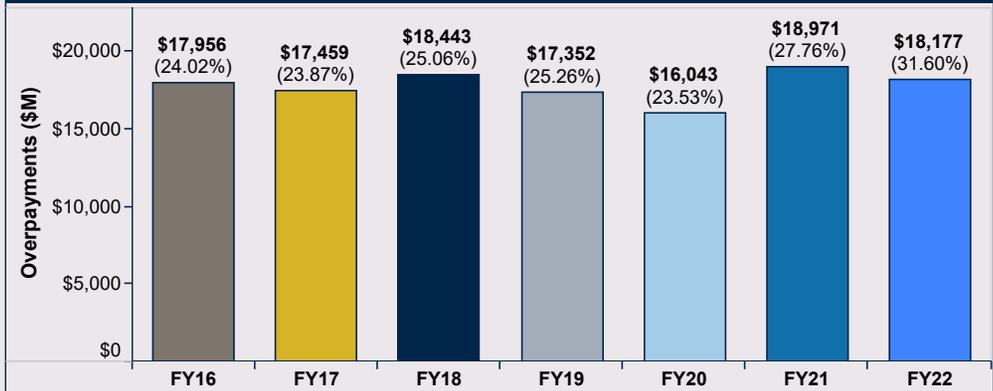
## Treasury

Internal Revenue Service - Earned Income Tax Credit

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

The Earned Income Tax Credit (EITC) is a refundable tax credit for working families with low to moderate incomes. Majority of overpayments are from the inability to authenticate qualifying child eligibility requirements and misreported taxpayer income. Authentication is difficult because the IRS relies primarily on the self-reported information from the taxpayers and there is a lack of internal or external databases available with information that would help the IRS determine eligibility. The remaining EITC overclaims are from program design limitations. Barriers 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 for examination and holds the refundable portion of the refund (or, in the case of amended returns, prevents the issuance of the refund) until an audit can be completed.
- Math Error Adjustments – The IRS uses an automated process where it has been granted statutory authority to identify certain math or other computational irregularities and automatically adjusts the return for the taxpayer.
- 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
1	Refundable Credits Summit. The FY 2023 summit was attended by over 100 external stakeholders. 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 the EITC, 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 pre and post refund audits selected by Dependent Database (DDb) to recapture payments that were made to potentially ineligible taxpayers or payments in the wrong amount that were made to eligible taxpayers.	Examination Closures – Through the second quarter of FY23, the IRS has completed examinations of more than 101,000 returns claiming the EITC, protecting more than \$631M.
				2	Recovery Activity	Document Matching- The 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 – Through the second quarter of FY23, the IRS has completed document matching assessments of more than 133,000 returns claiming the EITC, protecting nearly \$729M.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-23	3	Recovery Activity	Soft Notices- IRS sends letters to alert taxpayers that a qualifying child for the EITC claimed on their returns has also been claimed by another person.	Soft Notices – Through the second quarter of FY23, the IRS has issued nearly 57,000 Soft Notices, alerting taxpayers that a qualifying child for the EITC claimed on their returns has also been claimed by another person.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$17,087M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Authentication is difficult because the IRS relies primarily on the self-reported information from the taxpayers and there is a lack of internal or external databases available with information that would help the IRS determine eligibility.	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	IRS will continue to leverage data sharing pursuant to various interagency agreements, e.g., HHS and the SSA, to more accurately validate refunds entitled to a taxpayer; allowing the IRS to enforce laws passed by Congress more effectively.
\$1,091M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Barriers 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.	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 the EITC.