

# Payment Integrity Scorecard

**Program or Activity**  
Internal Revenue Service - Additional Child Tax Credit

**Reporting Period**  
Q3 2023

**FY 2022 Overpayment Amount (\$M)\*** **\$5,182**

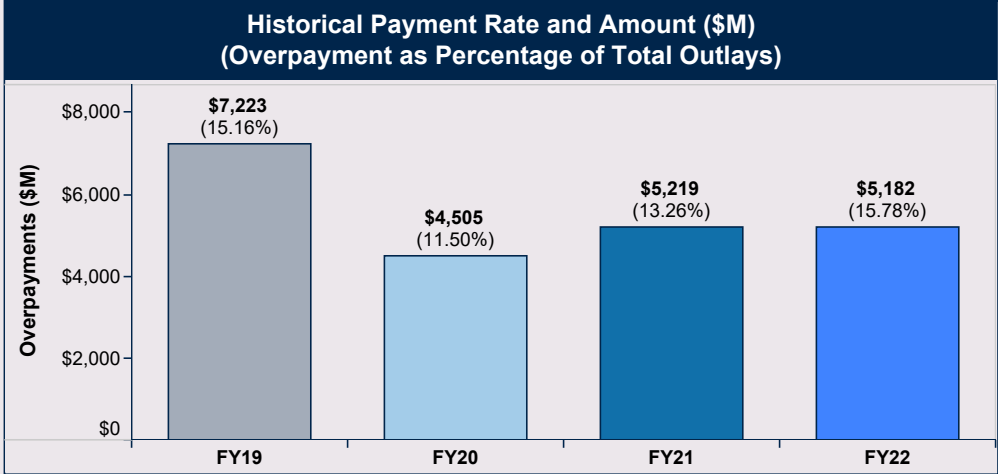
\*Estimate based a sampling time frame starting 1/2019 and ending 12/2019



**Treasury**  
Internal Revenue Service - Additional Child Tax Credit

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

The Additional Child Tax Credit (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. 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. 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.



**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
1	The FY 2023 Third Quarter Software Developer Working Group meeting was held in April 2023 to discuss improvement opportunities in regard to simplifying notice language. Revisions were submitted the IRS Office of Taxpayer Correspondence for the ACTC CP 08 Notice.	Mar-23
2	The IRS held its annual Dependent Database meeting in June 2023 with IRS stakeholders, to evaluate the value of prior-year compliance filters for audit selection and identify improvement opportunities for the next filing season.	Jun-23
3	The IRS held its annual Return Preparer Strategy meeting in June 2023 with stakeholders in the Wage & Investment division to evaluate the value of prior-year preparer treatments and identify improvement opportunities for the next filing season.	Jun-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 <b>Recovery Activity</b>	The IRS uses the Dependent Database (DDb), designed to identify ineligible returns claiming refundable credits. IRS conducted audits selected by DDb to recapture payments made to ineligible taxpayers or payments for the wrong amount that were made to eligible taxpayers.	Through the third quarter of FY23, the IRS has completed examinations of nearly 14, 000 returns claiming the ACTC, protecting nearly \$35M.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-23	2 <b>Recovery Activity</b>	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, respectively.	Through the third quarter of FY23, the IRS has imposed two-year bans on more than 1,500 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law, and approximately 40 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
<b>\$4,871M</b>	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 Office of Child Support enforcement, and the SSA, to more accurately validate refunds entitled to a taxpayer; thus, allowing the IRS to enforce laws passed by Congress.
<b>\$311M</b>	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 meetings with stakeholders to evaluate the value of prior-year compliance filters for audit selection of returns claiming the ACTC and identify improvement opportunities for next filing season.