

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Earned Income Tax Credit

Reporting Period

Q3 2023

FY 2022 Overpayment Amount (\$M)*

\$18,177

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



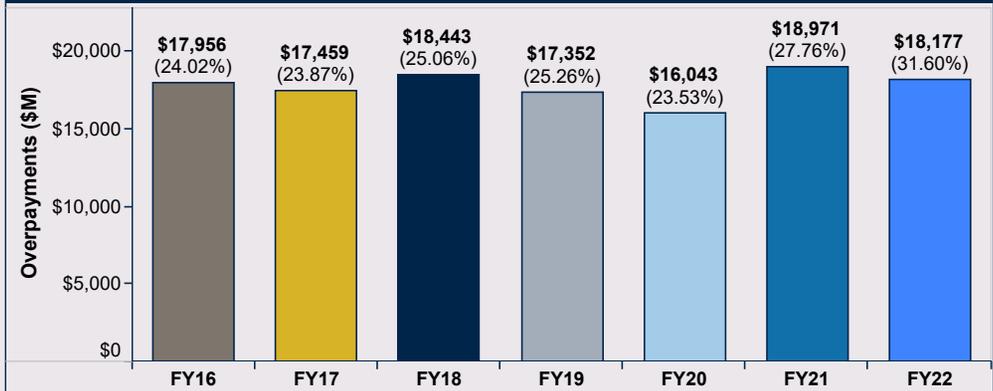
Treasury

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. Approximately \$17.09B 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. Approximately \$1.09B of 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	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 (OTC) for EITC CP 09 and 27 Notices.	Apr-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 Recovery Activity	The IRS uses the Dependent Database, a risk-based scoring and selection application which is designed to select audits to recapture payments that were 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 more than 168,000 returns claiming the EITC, protecting more than \$953M.
			2 Recovery Activity	IRS matches information in the Information Returns Master file with information in the Individual Master File to verify income. An Underreporter case results if there is a discrepancy. Post refund adjustments recapture refundable credits paid when the income is adjusted.	Through the third quarter of FY23, the IRS has completed document matching assessments of nearly 200,000 returns claiming the EITC, protecting more than \$1B.
2 Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-23	3 Recovery Activity	IRS sends letters to taxpayers that a qualifying child for the EITC claimed on their returns has also been claimed by another person. Taxpayers are told to file amended returns if the credit was claimed in error or for the incorrect amount.	Through 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.	Approximately \$17.09B of overpayments are from the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting. IRS relies on the self-reported information from the taxpayers and there is a lack of databases to 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	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, allowing the IRS to enforce laws passed by Congress.
\$1,091M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$1.09B of 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.	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 IRS stakeholders to evaluate the value of prior-year compliance filters for audit selection of returns claiming the EITC and identify improvement opportunities for next filing season.