

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Additional Child Tax Credit

Reporting Period

Q4 2023

FY 2022 Overpayment Amount (\$M)*

\$5,182

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



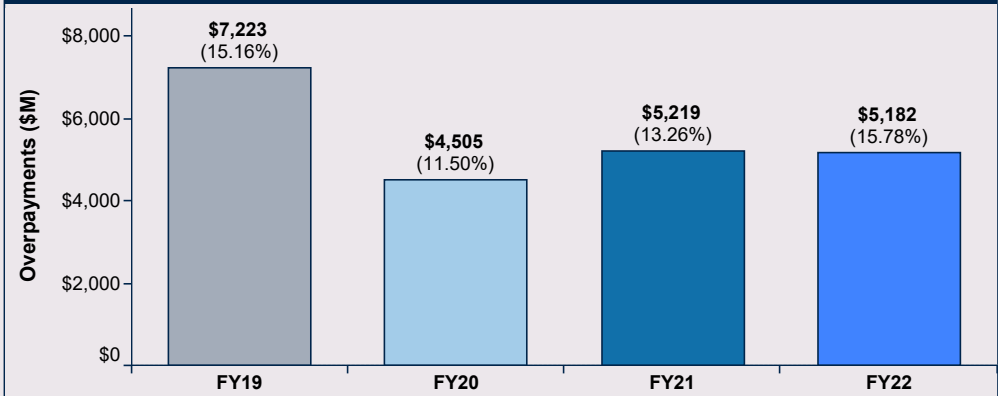
Treasury

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.

**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	IRS Nationwide Tax Forum – The IRS hosted its annual tax forum in July 2023 to increase paid tax preparers' understanding of the eligibility rules for the refundable credits, including ACTC, and their due diligence requirements.	Jul-23
2	Latino Tax Fest – The IRS presented 'Answering Your Frequently Asked Questions about Due Diligence' at the 2023 Latino Tax Fest in July 2023. The presentation included information specific to understanding eligibility rules for the refundable credits, including ACTC.	Jul-23
3	Software Developers Working Group (SDWG) – The IRS continued its partnership by holding its fourth quarter meeting in August 2023 with members of key tax software associations to reduce refundable credit errors, including those related to the ACTC.	Aug-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.	Completed	Sep-23	1 Recovery Activity	Examination Closures- The IRS uses the Dependent Database (DDb), a risk-based scoring and selection application that is designed to identify potentially ineligible tax returns claiming refundable credits.	Examination Closures – Through the fourth quarter of FY23, the IRS has completed examinations of more than 10,600 returns claiming the ACTC, protecting more than \$39M.
2	Reject electronic returns with missing or inconsistent information via math error.	Completed	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, respectively.	Two- and 10-Year Bans – Through the fourth quarter of FY23, the IRS has imposed two-year bans on 2,017 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law, and 54 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 \$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.	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., Department of Health and Human Services (HHS) Office of Child Support enforcement (OCSE), and the Social Security Administration (SSA), to more accurately validate refunds.
\$311M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	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.	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 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.