

Payment Integrity Scorecard

Program or Activity
Internal Revenue Service - Earned Income Tax Credit

Reporting Period
Q4 2023

FY 2022 Overpayment Amount (\$M)* **\$18,177**

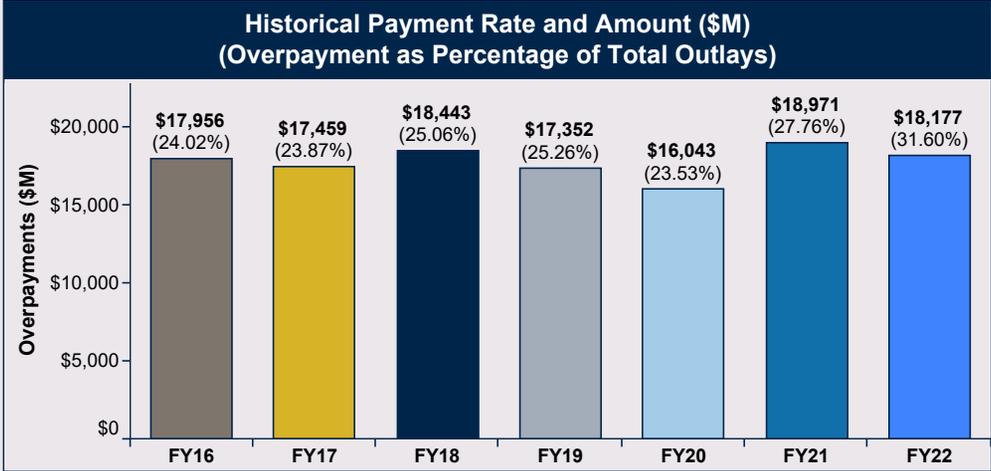
*Estimate based a sampling time frame starting 1/2019 and ending 12/2019



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.



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	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 EITC.	Jul-23
2	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 EITC, and their due diligence requirements.	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 EITC.	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 completed examinations of more than 230,000 returns claiming the EITC, protecting more than \$1.2B.
				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 third quarter of FY23, the IRS completed document matching assessments of more than 198,000 returns claiming the EITC, protecting more than \$1B.
2	Reject electronic returns with missing or inconsistent information via math error.	Completed	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 fourth quarter of FY23, the IRS 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. Authentication is difficult because there is a lack of internal or external databases to help 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., Department of Health and Human Services (HHS) Office of Child Support enforcement (OCSE), and the Social Security Administration (SSA), to more accurately validate refunds.
\$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 (Ddb) meetings with 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.