

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Additional Child Tax Credit

Reporting Period

Q2 2024

FY 2023 Overpayment Amount (\$M)*

\$546

*Estimate based a sampling time frame starting 1/2020 and ending 12/2020



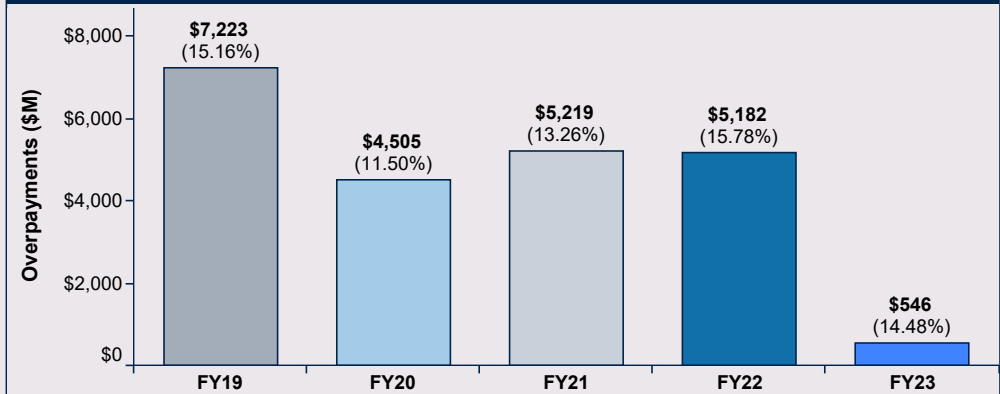
Department of the Treasury

Internal Revenue Service - Additional Child Tax Credit

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

The Additional Child Tax Credit (ACTC) is a social benefits program for working families that is administered through the Internal Revenue Code. Approximately \$0.513B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. Approximately \$0.033B 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
1	Due Diligence Webinars - The IRS presented two due diligence webinars targeting the Tax Preparer Community: Answering Your Frequently Asked Questions on Due Diligence and Due Diligence for Paid Preparers.	Jan-24
2	Filing Season Readiness Webinars - The IRS presented Sailing Through the Rules of Refundable Credits to an audience of nearly 7,000 tax professionals, providing the most up to date information about the latest changes to the rules for refundable tax credits.	Jan-24
3	Software Developer Working Group (SDWG) - The IRS continued its partnership with members of key tax software associations to reduce refundable credit errors, including those related to ACTC and to assist preparers in meeting their due diligence requirements.	Mar-24

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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	On-Track	Sep-24	1	Recovery Activity	Examination Closures " 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.	Through the second quarter of FY24, the IRS has completed examinations of more than 2,500 returns claiming the ACTC, protecting more than \$6.8M.
2		Sep-24	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.	Through the second quarter of FY24, the IRS has imposed two- and 10-year bans on more 2,200 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law or due to fraud.
2	On-Track	Sep-24	3	Recovery Activity	Ghost Preparer Letter 6623 " This letter was sent to taxpayers whose tax returns appear to have been completed by a paid tax preparer who did not sign and include their preparer tax identification number on the tax return.	Through the second quarter of FY24, approximately 1,000 Letters 6623 were sent to taxpayers nationwide.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$513M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.513B 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., Department of Health and Human Services (HHS) Office of Child Support Enforcement (OCSE), and the Social Security Administration (SSA), to more accurately validate refunds.
\$33M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.033B 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 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 ACTC.

Additional Mitigation Strategies: Training â€œ In addition to the aforementioned mitigation strategies, the IRS will continue to educate tax professionals on their due diligence requirements regarding the ACTC through outreach venues, including annual Filing Season Readiness Webinars and the Nationwide Tax Forums.