

Payment Integrity Scorecard

Program or Activity
Internal Revenue Service - Earned Income Tax Credit

Reporting Period
Q2 2024

FY 2023 Overpayment Amount (\$M)* **\$21,881**

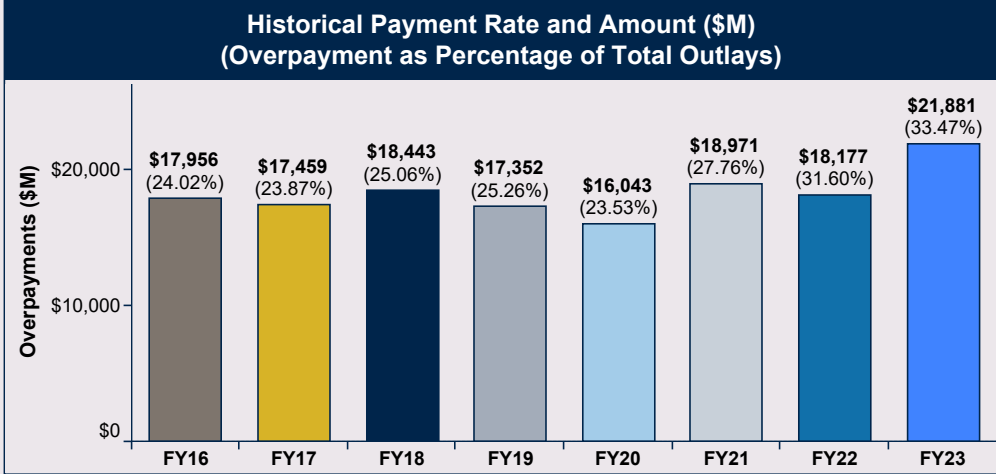
*Estimate based a sampling time frame starting 1/2020 and ending 12/2020



Department of the 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 \$20.57B 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 \$1.31B 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	EITC Assistant - The TY 2023 EITC Assistant went live on IRS.gov in December 2023. The EITC Assistant helps users determine if they are eligible to receive the EITC, find out their filing status, determine if their child or children meet the tests for a qualifying child, etc	Jan-24
2	EITC Awareness Day - The IRS partnered with more than 1,500 key stakeholders to hold its annual EITC Awareness Day, a nationwide effort to increase awareness about the EITC. This year, the IRS promoted the EITC and provided information on other refundable tax credits.	Jan-24
3	EITC Compliance Letter Initiative - IRS is initiating a compliance letter initiative for FY 2024. For this initiative, IRS mailed Letter 6589, which makes taxpayers who are at risk of being selected for audit aware of potential errors on their credit claims in TY2022.	Jan-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 Conduct pre-refund audits.	On-Track	Sep-24	1 Recovery Activity	Examination Closures	For Q2, the IRS completed examinations of nearly 90,000 returns claiming the EITC, protecting more than \$500M.
2 Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-24	2 Recovery Activity	Document Matching	For Q2, the IRS completed document matching assessments of more than 160,000 returns claiming the EITC, protecting more than \$1B.
			3 Recovery Activity	Soft Notices	For FY24, the IRS issued more than 47,000 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
\$20,568M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$20.57B of overpayments are from the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting. Authentication is difficult because the IRS relies primarily on the self-reported information from the taxpayers.	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.
\$1,313M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$1.31B 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 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 EITC.

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