

# Payment Integrity Scorecard

## Program or Activity

Internal Revenue Service - Refundable Premium Assistance Tax Credit

## Reporting Period

Q2 2024

## FY 2023 Overpayment Amount (\$M)\*

**\$958**

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



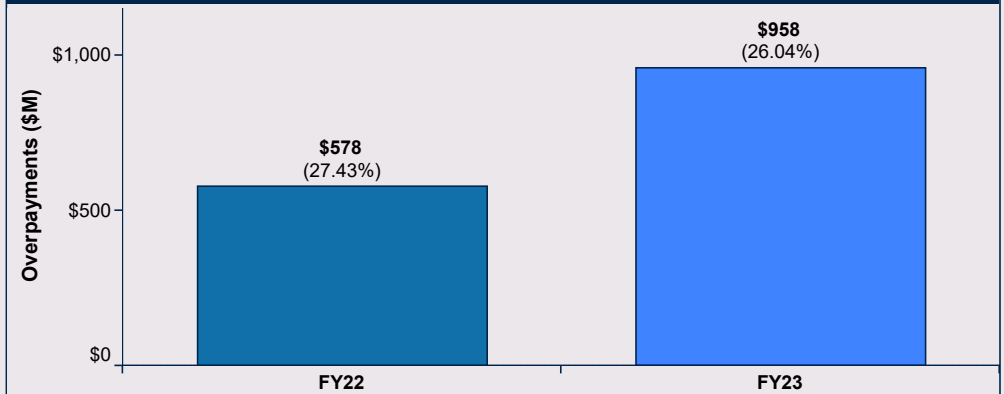
## Department of the Treasury

Internal Revenue Service - Refundable Premium Assistance Tax Credit

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

The Premium Tax Credit (PTC) is a refundable credit that helps eligible individuals and families cover the premiums for their health insurance purchased through the Marketplace. Approximately \$0.83B of Net PTC 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. Approximately \$0.12B of Net PTC overclaims are from the inability to authenticate eligibility because the data needed does not exist. 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.

### 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 credit portion of the refund until an audit can be completed. • Math Error Adjustments - Automated process in which the IRS 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 - 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	Publication 974 - The IRS published its updated Publication 974, Premium Tax Credit (PTC), to IRS.gov. The publication provides an overview of the eligibility requirements for the PTC, including the income, family size and filing status criteria.	Jan-24
2	Fact Sheet 2024-04 Update - The IRS updated Fact Sheet 2024-04, Updates to Frequently Asked Questions About the Premium Tax Credit. The document provides an overview of the eligibility requirements for the PTC, including the income, family size and filing status criteria.	Feb-24
3	News Release IR-2024-54 - The IRS published news release IR-2024-54, IRS: How to correct an electronically filed return rejected for a missing Form 8962, and corresponding FAQs which provide taxpayers and their preparers guidance on filing accurate returns and claims for PTC	Feb-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- 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.	Through the second quarter of FY24, the IRS completed examinations of nearly 400 returns claiming the PTC, protecting nearly \$3M.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-24	2 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 have been sent to taxpayers nationwide.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$834M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.83B of Net PTC 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 PTC.
\$125M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.12B of Net PTC overclaims are from the inability to authenticate eligibility because the data needed does not exist. Authentication is difficult because the IRS relies primarily on the self-reported information and there is a lack of databases available.	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 collaborate with the Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) through the Premium Tax Credit Workgroup and Sub-Workgroup on issues related to improper payments of the PTC.