

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Additional Child Tax Credit

Reporting Period

Q3 2024

FY 2023 Overpayment Amount (\$M)*

\$546

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



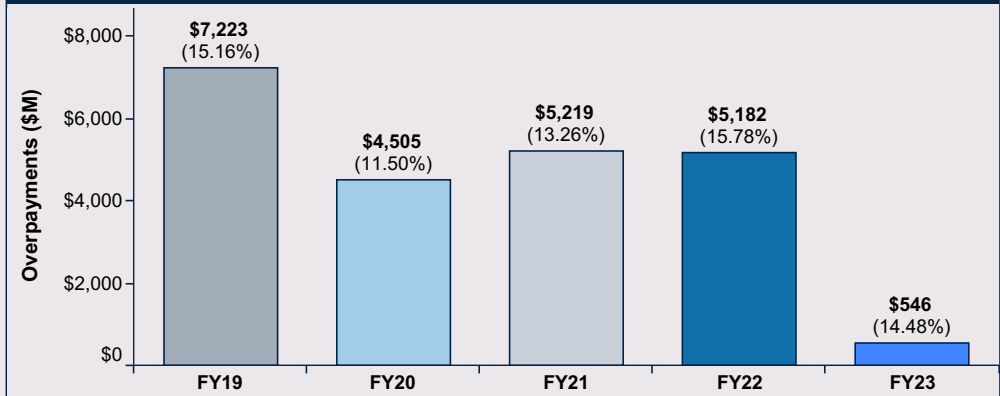
Department of the Treasury

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 \$0.51B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. Approximately \$0.03B 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 Ten-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	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 assist preparers in meeting their due diligence requirements.	Mar-24
2	Annual Dependent Database (DDb) Meeting - The IRS held its annual DDb meeting in June 2024 with stakeholders to evaluate the value of prior-year compliance filters for ACTC audit selection and identify improvement opportunities for the next filing season.	Jun-24
3	Latino Tax Fest - The IRS presented 'ABC's of Due Diligence' at the 2024 Latino Tax Fest in June 2024. The presentation included information specific to understanding eligibility rules for the refundable credits, including ACTC.	Jun-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 third quarter of FY24, the IRS has completed examinations of more than 4,000 returns claiming the ACTC, protecting more than \$11M.
			2	Recovery Activity	Two- and Ten-Year Bans - The IRS imposes two and ten-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 third quarter of FY24, the IRS has imposed two-year bans on 2,600 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law, and 14 ten-year bans on taxpayers deemed to have claimed the ACTC fraudulently.
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 third 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
\$513M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.03B 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 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.
\$33M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.51B 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 to more accurately validate refunds entitled to a taxpayer thus allowing the IRS to enforce laws passed by Congress more effectively.