

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Earned Income Tax Credit

Reporting Period

Q3 2024

FY 2023 Overpayment Amount (\$M)*

\$21,881

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



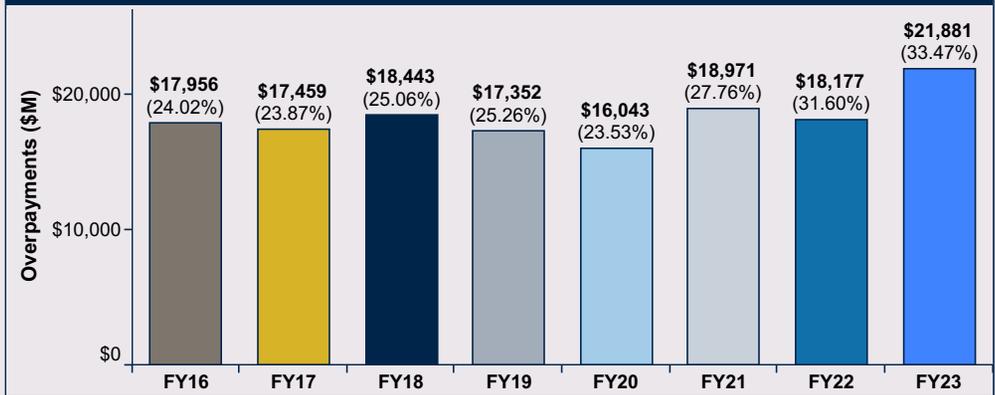
Department of the Treasury

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.

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 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	Software Developer Working Group (SDWG) - IRS continued its partnership with members of key tax software associations to reduce refundable credit errors, including those related to the EITC, 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 EITC 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 EITC.	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.	Examination Closures " Through the third quarter of FY24, the IRS completed examinations of nearly 119,000 returns claiming the EITC, protecting more than \$600M.
			2	Recovery Activity	Document Matching " 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 FY24, the IRS completed document matching assessments of more than 228,000 returns claiming the EITC, protecting more than \$1.6B.
2	On-Track	Sep-24	3	Recovery Activity	Soft Notices " IRS sends letters to alert taxpayers that a qualifying child claimed on their returns has also been claimed by another person. Taxpayers are informed to file amended returns if the credit was claimed in error or for the incorrect amount.	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 to more accurately validate refunds entitled to a taxpayer; thus, allowing the IRS to enforce laws passed by Congress more effectively.
\$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 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.