

Payment Integrity Scorecard

Program or Activity

Internal Revenue Service - Refundable Premium Assistance Tax Credit

Reporting Period

Q3 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	Software Developers Working Group - The IRS will continue partnerships with members of tax software associations to identify software enhancements and collaborative efforts that can help reduce PTC errors made by taxpayers and paid preparers.	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 PTC audit selection and identify improvement opportunities for the next filing season.	Jun-24
3	National Tax Forums Presentations - The IRS has created a detailed presentation which includes common mistakes, and guidance on the rules to help preparers have a better understanding and increased ability to identify potential errors, including those related to the PTC.	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	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 third quarter of FY24, the IRS completed examinations of more than 500 returns claiming the PTC, protecting more than \$2.2M.
				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 third quarter of FY24, approximately 1,000 Letters 6623 have been sent to taxpayers nationwide.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-24	3	Recovery Activity	

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 \$0.12B of Net PTC overclaims are the data needed does not exist root cause. 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.	Change Process altering or updating a process or policy to prevent or correct error.	Change Process The IRS will 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 PTC and identify improvement opportunities for next filing season.
\$125M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	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.	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.	Cross-Enterprise Sharing The IRS will so continue to collaborate with the Department of Health and Human Services, Centers for Medicare and Medicaid Services through the Premium Tax Credit Workgroup and Sub-Workgroup on issues related to improper payments of the PTC.