

# Payment Integrity Scorecard

**Program or Activity**  
Internal Revenue Service - Additional Child Tax Credit

**Reporting Period**  
Q4 2024

**FY 2023 Overpayment Amount (\$M)\*** **\$546**

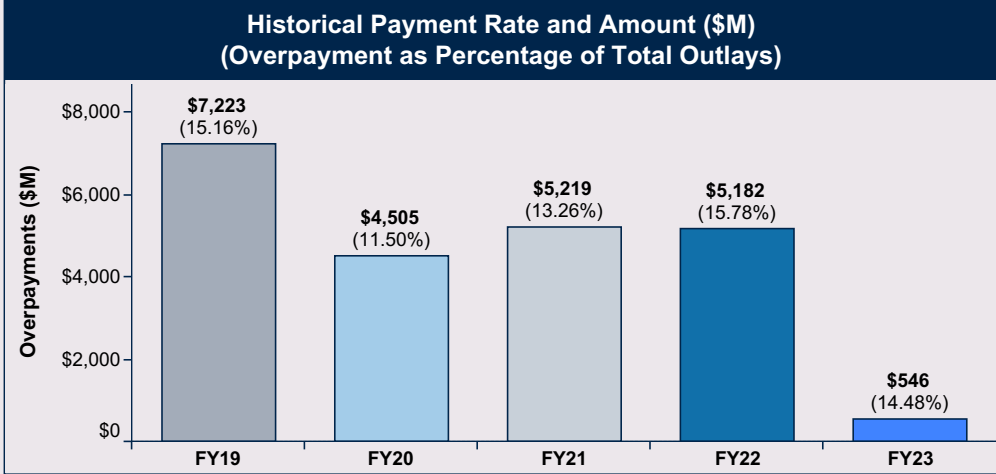
\*Estimate based a sampling time frame starting 1/2020 and ending 12/2020



**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 \$3.24B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. Approximately \$0.21B 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.



**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.
- Two- and Ten-Year Bans - The IRS bars 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	Latino Tax Fest - The IRS delivered the presentation '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 the ACTC.	Jun-24
2	Software Developer Working Group - The IRS continued its partnership with members of key tax software associations to assist preparers in meeting their due diligence requirements and to discuss FY 2024 completed and FY 2025 planned Return Preparer Strategy treatments.	Aug-24
3	National Tax Forums - IRS delivered the presentation entitled 'Steering Clear of Mistakes - A Review of Refundable Credits Eligibility Rules and ABCs of Due Diligence' to increase paid tax preparers' understanding of the eligibility rules and their due diligence.	Sep-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.	Completed	Sep-24	1	<b>Recovery Activity</b> 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 fourth quarter of FY24, the IRS completed examinations of more than 5,618 returns claiming the ACTC, protecting more than \$13.8M.
				2	<b>Recovery Activity</b> 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.	Through the fourth quarter of FY24, the IRS imposed two-year bans on 2,786 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law, and 19 ten-year bans on taxpayers deemed to have claimed the ACTC fraudulently.
2	Reject electronic returns with missing or inconsistent information via math error.	Completed	Sep-24	3	<b>Recovery Activity</b> 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.	The IRS issued approximately 1,000 Ghost Preparer Letters 6623, Correspondence Sent to Taxpayers to Request Paid Tax Preparer Information, to taxpayers nationwide for returns prepared by ghost preparers that included EITC, ACTC, AOTC and net PTC.

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 \$0.21B of the 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 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 \$3.24B of the 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, e.g., Department of Health and Human Services and the Social Security Administration, to more accurately validate refunds entitled to a taxpayer.