

# Payment Integrity Scorecard

**Program or Activity**  
Internal Revenue Service - Earned Income Tax Credit

**Reporting Period**  
Q4 2024

**FY 2023 Overpayment Amount (\$M)\*** **\$21,881**

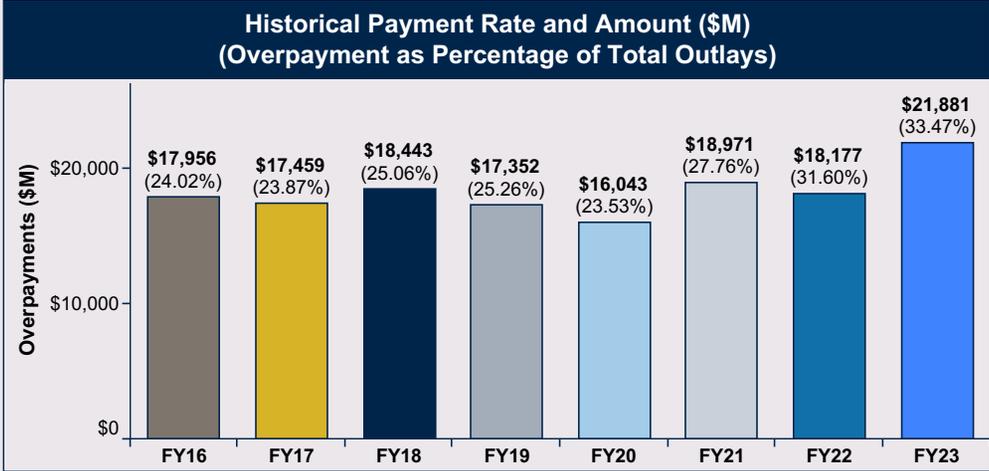
\*Estimate based a sampling time frame starting 1/2020 and ending 12/2020



**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 \$14.99B 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 \$0.96B 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.



**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**

|   | 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 EITC.                    | 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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Q4 2024

| Goals towards Reducing Overpayments   | Status    | ECD    | Recovery Method        | Brief Description of Plans to Recover Overpayments  | Brief Description of Actions Taken to Recover Overpayments   |
|---|-----------|--------|------------------------|---|--|
| 1<br>Conduct pre-refund audits.   | Completed | Sep-24 | 1<br>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 fourth quarter of FY24, the IRS completed examinations of nearly 166,272 returns claiming the EITC, protecting more than \$907M.                                     |
| 2<br>Reject electronic returns with missing or inconsistent information via math error. | Completed | Sep-24 | 2<br>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.   | Through the fourth quarter of FY24, the IRS completed document matching assessments of more than 300,467 returns claiming the EITC, protecting more than \$1.97B.                |
|   |           |        | 3<br>Recovery Activity | Soft Notices " IRS sends letters to alert taxpayers that a qualifying child claimed on their return 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. | For FY24, the IRS issued more than 47,000 Soft Notices, alerting taxpayers that a qualifying child for the EITC claimed on their return 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 \$14.99B 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 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, e.g., Department of Health and Human Services and the Social Security Administration, to more accurately validate refunds entitled to a taxpayer.                       |
| \$1,313M  | Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed. | Approximately \$0.96B of the 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 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. |