

Payment Integrity Scorecard

Program or Activity
Internal Revenue Service - Refundable Premium Assistance Tax Credit

Reporting Period
Q4 2024

FY 2023 Overpayment Amount (\$M)* **\$958**

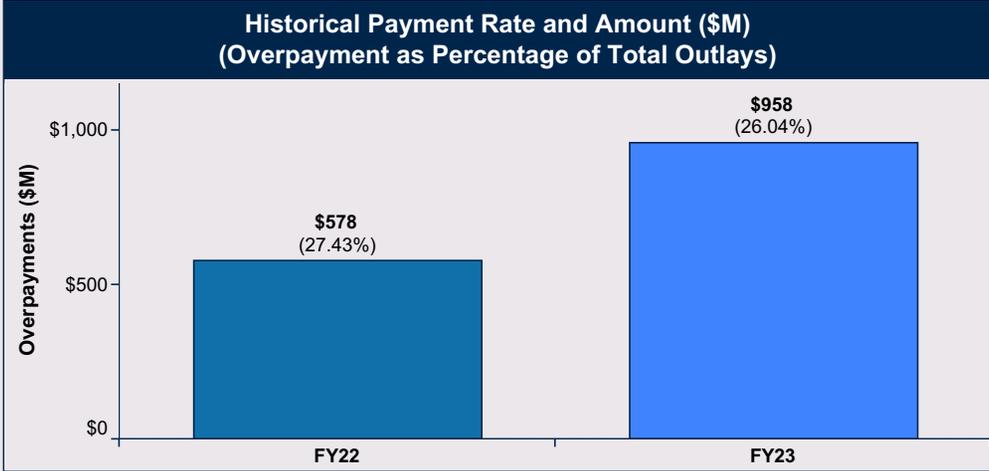
*Estimate based a sampling time frame starting 1/2020 and ending 12/2020



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. Barriers caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed. 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.



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 credit 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 - 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 Developer Working Group- 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
2	Frequently Asked Questions - The IRS recently updated the frequently asked questions (FAQs) in Fact Sheet 2024-30 for the Premium Tax Credit. This update provided quick and efficient answers to common questions and concerns.	Sep-24
3	National Tax Forums- IRS delivered the presentation entitled, Steering Clear of Mistakes - A Review of Refundable Credits Eligibility Rules to increase paid tax preparers' understanding of the eligibility rules for the Net PTC.	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 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 fourth quarter of FY24, the IRS completed 8,646 Examinations and Automated Questionable Credit closures of returns claiming the PTC, protecting more than \$15.6M.
2	Reject electronic returns with missing or inconsistent information via math error.	Completed	Sep-24	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 fourth quarter of FY24, approximately 1,000 Letters 6623 have been sent 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
\$834M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.57B of the 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.	Change Process altering or updating a process or policy to prevent or correct error.	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 \$0.09B of the 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.	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 so continue to collaborate with the Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) through the Premium Tax Credit Workgroup and Sub-Workgroup on issues related to improper payments of the PTC.