

# Payment Integrity Scorecard

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

**Reporting Period**  
Q1 2025

**FY 2024 Overpayment Amount (\$M)\*** **\$15,942**

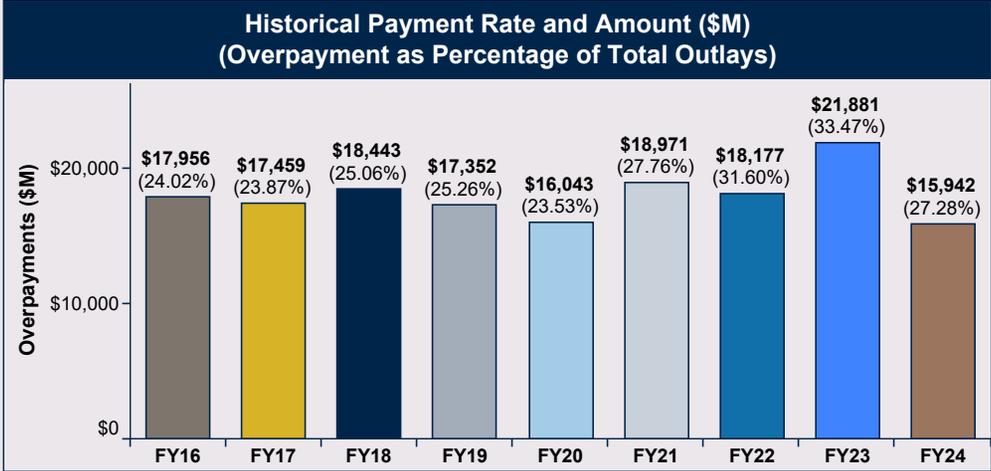
\*Estimate based a sampling time frame starting 1/2020 and ending 12/2021



**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. Return Preparer Strategy Program - The IRS administers a program to help address issues related to high-risk preparers and improve compliance. The program identifies preparers who submit significant number of tax returns with over-claimed refundable credits or errors related to the head of household filing status.

Accomplishments in Reducing Overpayment		Date
1	National Tax Forums - The IRS hosted the annual tax forums that offered tax professional the opportunities to learn the latest news and gain valuable insight on the tax industry from IRS leaders and experts. Nearly 12,000 preparers attended the presentations.	Sep-24
2	Software Developer Working Group - IRS continued its partnership with members of key tax software associations to reduce refundable credit errors, assist preparers in meeting their due diligence requirements, and to discuss FY 25 planned Return Preparer Strategy treatments.	Oct-24
3	Virtual Tax Credits and Deductions Summit - The Summit provided a forum for interested stakeholders in public and private organizations, such as tax industry professionals, federal agencies, consumer advocates, to collaborate and discuss various tax administration topics.	Oct-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-25	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 first quarter of FY25, the IRS completed examinations of 16,261 returns claiming the EITC, protecting more than \$90M. The IRS also imposed two-year bans on 281 taxpayers deemed to have claimed the EITC in reckless and intentional disregard of the law.
			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 first quarter of FY25, the IRS completed document matching assessments on 88,477 returns claiming the EITC, protecting more than \$481M.
2 Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-25	3 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.	Soft Notices " For FY25, the IRS issued 47,000 Soft Notices, alerting taxpayers that a qualifying child for the EITC claimed on their return had been claimed by another person. In addition, the IRS issued 10,000 Ghost Preparer Letters 6623, Correspondence Sent to Taxpayers to Request Paid Tax Preparer Information, to taxpayers nati..

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$14,985M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Authentication is difficult because the IRS relies primarily on self-reported information from taxpayers and there is a lack of internal or external databases available with information that would help the IRS determine eligibility.	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.
\$957M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	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 meeting 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.