

# Payment Integrity Scorecard

## Program or Activity

Internal Revenue Service - Earned Income Tax Credit

## Reporting Period

Q2 2025

## FY 2024 Overpayment Amount (\$M)\*

**\$15,942**

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



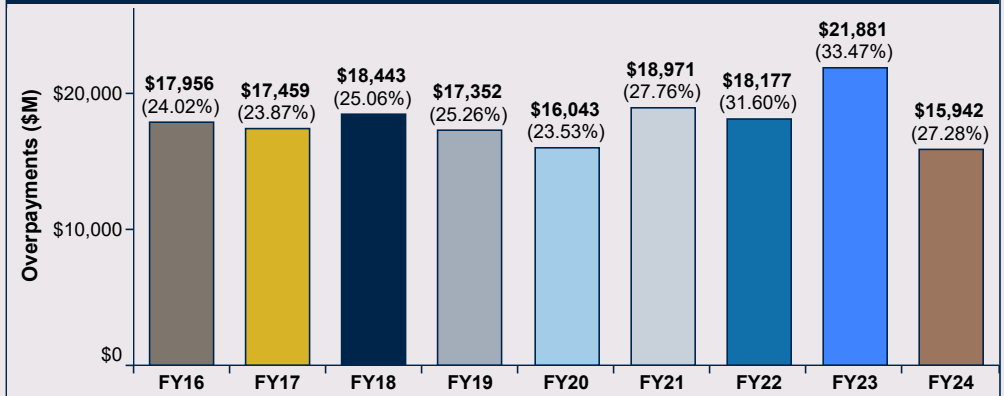
## Treasury

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.

### 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 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	Due Diligence Webinars – The IRS presented two due diligence webinars to educate the tax preparer community. More than 11,900 tax professionals attended the sessions which included FAQs about requirements for tax benefits subject to paid preparer due diligence.	Jan-25
2	EITC Awareness Day – The IRS hosted its annual awareness event where more than 37,300 participants attended. The objective of the 2025 EITC Awareness Day outreach campaign was to help low- and moderate-income workers claim the credit.	Jan-25
3	Form 886-H-EIC Toolkit – The IRS launched the interactive Form 886-H-EIC Toolkit in February 2025. The redesigned toolkit helps taxpayers identify the documents they need to submit to verify their eligibility for EITC based on their specific circumstances.	Feb-25

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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.	Through the second quarter of FY25, the IRS completed examinations of 30,757 returns claiming the EITC, protecting more than \$166.9M. The IRS has imposed two-year bans on 671 taxpayers deemed to have claimed the EITC in reckless and intentional disregard of the law, and 2 ten-year bans on taxpayers deemed to have claimed the EITC fraudulently.
				2 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.	Through the second quarter of FY25, the IRS completed document matching assessments on 163,639 returns claiming the EITC, protecting more than \$9.9M.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-25	3 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.	For FY25, the IRS issued 238,200 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 20,000 Ghost Preparer Letters 6623, Correspondence Sent to Taxpayers to Request Paid Tax Preparer Information, to taxpayers nationwide. The data gathered from phone calls received from the letters will be integrated and refined for the selection process next fiscal year to identify patterns, correlations, and anomalies that will assist in developing future strategies.

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.	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 self-reported information f..	Cross Enterprise Sharing - sharing of documents, processes, and opportunities with intra-agency partners and stakeholder. Potentially managed through federated rep.	The IRS will continue to leverage data sharing pursuant to various interagency agreements, e.g. HHS and SSA, to more accurately validate refunds entitled to a taxpayer; thus, allowing the IRS to enforce laws passed by Congress more effectively.
\$957M	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 continue to hold its annual Dependent Database (DDb) 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.