

# Payment Integrity Scorecard

## Program or Activity

Internal Revenue Service - Refundable Premium Assistance Tax Credit

## Reporting Period

Q2 2025

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

**\$658**

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



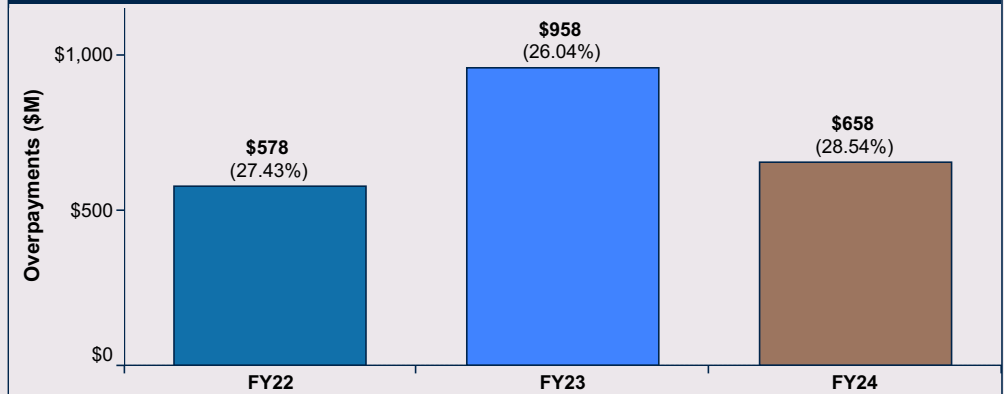
## Treasury

Internal Revenue Service - Refundable Premium Assistance Tax Credit

### **Brief Program Description & summary of overpayment causes and barriers to prevention:**

The Net 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. Approximately \$0.57B of Net PTC overclaims are from the inability to authenticate eligibility because the data needed does not exist. Approximately \$0.09B of 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. 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.

### **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 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 – The 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 2025 Return Preparer Strategy treatment.	Oct-24
2	Virtual Tax Credits and Deductions Summit – The IRS conducted a virtual Tax Credits and Deductions Summit. The Summit provided a forum for interested stakeholders to collaborate and discuss various tax administration topics, including Net PTC.	Oct-24
3	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

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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 - 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. The IRS conducted post refund audits selected by DDb to recapture payments that were made to potentially ineligible taxpayers or payments for the wrong amount that were made to eligible taxpayers.	Through the second quarter of FY25, the IRS completed treatments for 1920 returns claiming the PTC, protecting more than \$4.5M.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-25			

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$572M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	Approximately \$0.57B of Net PTC overclaims are from the inability to authenticate eligibility because the data needed does not exist.	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 Net PTC and identify improvement opportunities for next filing season.
\$86M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Approximately \$0.09B of 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.	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 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 for the Net PTC.