

## Goal: Getting Payments Right

Program or Activity  
Additional Child Tax Credit

Reporting Period  
Q3 2020

Change from Previous FY (\$M)

N/A

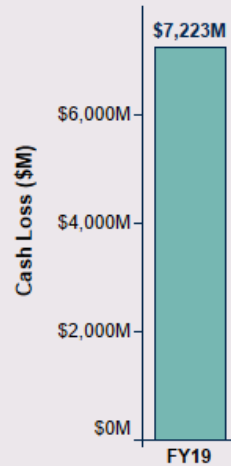


**Treasury**  
Additional Child Tax Credit

**Brief Program Description:**

The ACTC is a refundable tax credit for working families with low to moderate incomes. Taxpayers may get ACTC if their Child Tax Credit is greater than income taxes owed. Taxpayers must meet certain requirements and file a tax return to qualify.

### Cash Loss by FY (\$M)



| Key Milestones |   | Status    | ECD    |
|----------------|---|-----------|--------|
| 1              | Develop mitigation strategies to get the payment right the first time | Completed | Aug-19 |
| 2              | Evaluate the ROI of the mitigation strategy                           | At Risk   | Sep-20 |
| 3              | Determine which strategies have the best ROI to prevent cash loss     | At Risk   | Sep-20 |
| 4              | Implement new mitigation strategies to prevent cash loss              | Completed | Oct-19 |
| 5              | Analyze results of implementing new strategies                        | On-Track  | Sep-20 |

| Quarterly Progress Goals |         |  | Status   | Notes   | ECD    |
|--------------------------|---------|--|----------|---|--------|
| 1                        | Q3 2020 | Reject electronic returns with missing or inconsistent information via math error. | On-Track | Approximately 94% of refundable credit returns are filed electronically and contains either an EITC claim or an ACTC claim. | Sep-20 |
| 2                        | Q3 2020 | Conduct pre-refund audits.   | On-Track | In FY 2019, approximately 300K refundable credit audits were conducted and about 91% were pre-refund.                       | Sep-20 |

| Recent Accomplishments |  | Date   |
|------------------------|--|--------|
| 1                      | Base Enforcement Efforts for refundable tax credit programs including ACTC: 256,768 audits, 316,602 misreported income cases, and an estimated 138,500 math error adjustments, protecting revenue of over \$2.4 billion.                         | Jul-20 |
| 2                      | Identity Theft and Fraud: Detected and stopped 322,548 fraudulent EITC returns through our fraud detection filters from being processed, preventing approximately \$1.6 billion in erroneous refunds. Audit included examination of ACTC claims. | Jul-20 |
| 3                      | Two- and 10-Year Bans: Imposed 1,770 two-year bans and 152 10-year bans for cases where the IRS determined during refundable tax audits that the taxpayer intentionally disregarded the rules and regulations or committed fraud.                | Jul-20 |

| Amt(\$)  | Root Cause  | Root Cause Description  | Mitigation Strategy        | Anticipated Impact of Mitigation  |
|----------|---|---|----------------------------|---|
| \$6,790M | Inability to authenticate eligibility: data needed does not exist | Approximately \$6.79B (94%) of total ACTC overclaims are from the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting because data needed does not exist at the time of filing.                  | Audit or Internal Controls | Reduce taxpayer error pre-filing; educate taxpayers and paid preparers on the law and common filing errors  |
| \$433M   | Program design or structural issues                               | Approximately \$0.433 billion, or six percent, of overclaims are from program design limitations. Errors caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed. | Audit/Internal Controls    | Reduce taxpayer error pre-filing, educate taxpayers and paid preparers on the law and common filing errors. |

**Cash Loss** - Cash loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.