

Goal: Getting Payments Right

Program or Activity
Earned Income Tax Credit

Reporting Period
Q3 2020

Change from Previous FY (\$M)

-\$1,092M

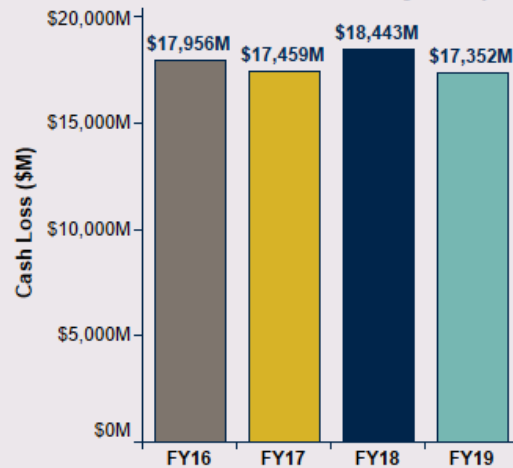


Treasury
Earned Income Tax Credit

Brief Program Description:

The Earned Income Tax Credit (EITC) is a refundable tax credit for working families with low to moderate incomes. EITC reduces the amount of tax owed and may give you a refund. To qualify, taxpayers must meet certain requirements and file a tax return.

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 EITC returns are filed electronically.	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: Delivered key compliance activities for EITC program. Efforts include 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.	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
\$16,311M	Inability to authenticate eligibility: data needed does not exist	Approximately \$16,310.51 million, or 94 percent, of EITC overclaims are from the inability to authenticate eligibility. This includes errors with the inability to authenticate qualifying child eligibility requirements and taxpayer income misreporting	Internal Process or Policy Change	Reduce taxpayer filing error, educate taxpayers and paid preparers on the law and common filing errors.
\$1,041M	Program design or structural issues	Approximately \$1,041.10 million, 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.	Internal Process or Policy Change	Reduce taxpayer error pre-filing and post-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.