Goal: Getting Payments Right

Program or Activity
Earned Income Tax Credit

Reporting Period
Q4 2020

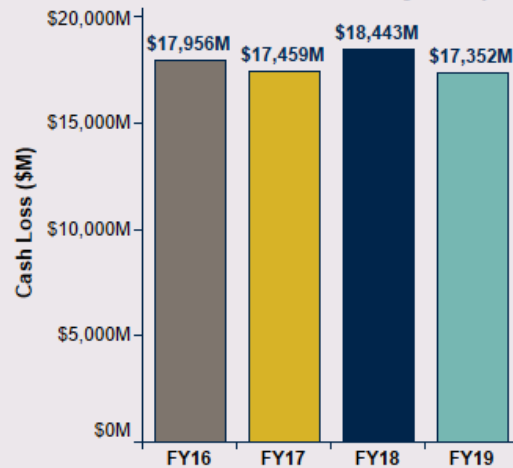**Change from Previous FY ($M)**   **-$1,092M** ⬇

Treasury
Earned Income Tax Credit

Brief Program Description:
The EITC is a refundable tax credit for working families with low to moderate incomes. EITC reduces the amount of tax you owe and may give you a refund. To qualify, taxpayers must meet certain requirements and file a tax return.

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-21
3	Determine which strategies have the best ROI to prevent cash loss	At Risk	Sep-21
4	Implement new mitigation strategies to prevent cash loss	Completed	Oct-19
5	Analyze results of implementing new strategies	On-Track	Sep-21

Cash Loss by FY ($M)

Bar chart: FY16 $17,956M; FY17 $17,459M; FY18 $18,443M; FY19 $17,352M

Quarterly Progress Goals			Status	Notes	ECD
1	Q4 2020	Reject electronic returns with missing or inconsistent information via math error.	Completed	Approximately, 94% of EITC returns are filed electronically.	Sep-20
2	Q4 2020	Conduct pre-refund audits.	Completed	In general, approximately 90% of refundable credit audits were conducted pre-refund.	Sep-20

Recent Accomplishments		Date
1	Document Matching – The IRS conducted its post-refund document matching process that compares income reported on tax returns with income reported by the employer.	Sep-20
2	Refundable Credits Summit – The IRS hosted its annual summit attended by over fifty stakeholders including representatives from various tax professional industries, federal agencies, consumer advocacy groups, and non-governmental organizations.	Sep-20
3	Software Developer Working Group – The IRS continued its partnership with members of key tax software associations to reduce refundable credit errors and assist preparers in meeting their due diligence requirements.	Sep-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 $15 billion, or 91 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.	IRS will continue examinations, math error notices, return preparer initiatives, etc. IRS will continue outreach/education programs, and work with Treasury on legislative proposals to improve compliance and reduce overclaims.	Reduce taxpayer filing errors, educate taxpayers and paid preparers on the law and common filing errors.
$1,041M	Program design or structural issues	Approximately $1 billion, or nine 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.	IRS will continue current efforts such as examinations, document matching, criminal investigation, etc. IRS will also continue outreach/education programs, and work with Treasury on legislative proposals to improve compliance and reduce overclaims.	Reduce taxpayer filing errors; 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.