

Payment Integrity Scorecard

Program or Activity
Internal Revenue Service - Refundable Premium Assistance Tax Credit

Reporting Period
Q3 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. \$0.57B of Net PTC overclaims are from the inability to authenticate eligibility. 4 \$0.09B of Net PTC overclaims are from program design limitations because the data needed to confirm payment accuracy does not exist at the time of processing. 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.

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	Premium Tax Credit Microsite on Tax Preparer Toolkit – The IRS launched a new PTC microsite within the Tax Preparer Toolkit on IRS.gov, to provide clear guidance to help tax professionals accurately apply PTC rules and reduce inaccurate PTC claims.	Apr-25
2	Software Developer Working Group (SDWG) – The IRS continued its partnership with software associations by holding its quarterly meeting to reduce refundable credit errors and improve software-driven accuracy and claim validation, including those related to the PTC.	May-25
3	Annual Dependent Database (DDb) Meeting – The IRS held its annual DDb meeting to assess prior-year compliance filters for PTC claims. The review identified improvements to enhance audit selection to reduce improper payments.	Jun-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 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.	Examination and Automated Questionable Credit Closures – Through the third quarter of FY25, the IRS completed treatments for more than 4,200 returns claiming the PTC, protecting more than \$0.01B.
2	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-25	2 Recovery Activity	Ghost Preparer Letter 6623 – This letter was sent to taxpayers whose tax returns appear to have been completed by a paid tax preparer who did not sign and include their preparer tax identification number on the tax return. 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.	The IRS issued approximately 20,000 Ghost Preparer Letters 6623, Correspondence Sent to Taxpayers to Request Paid Tax Preparer Information, to taxpayers nationwide for returns prepared by ghost preparers that included Earned Income Tax Credit Additional Child Tax Credit, American Opportunity Tax Credit, and Net PTC.

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.	\$0.57B of Net PTC overclaims are from the inability to authenticate eligibility because the data needed is not available.	Change Process – altering or updating a process or policy to prevent or correct error.	The IRS will continue to hold its annual 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.	\$0.09B of Net PTC overclaims are from the inability to confirm payment accuracy because the information needed is not available at the time the return is processed.	Cross Enterprise Sharing - sharing of documents, processes, and opportunities with intra-agency partners and stakeholders. 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 Centers for Medicare and Medicaid Services through the Premium Tax Credit Workgroup and Sub-Workgroup on issues related to improper payments for the Net PTC.