Payment Integrity Scorecard

Program or Activity
Internal Revenue Service - Additional Child Tax Credit

Reporting Period
Q3 2026

FY 2025 Overpayment Amount ($M)* **$4,550**

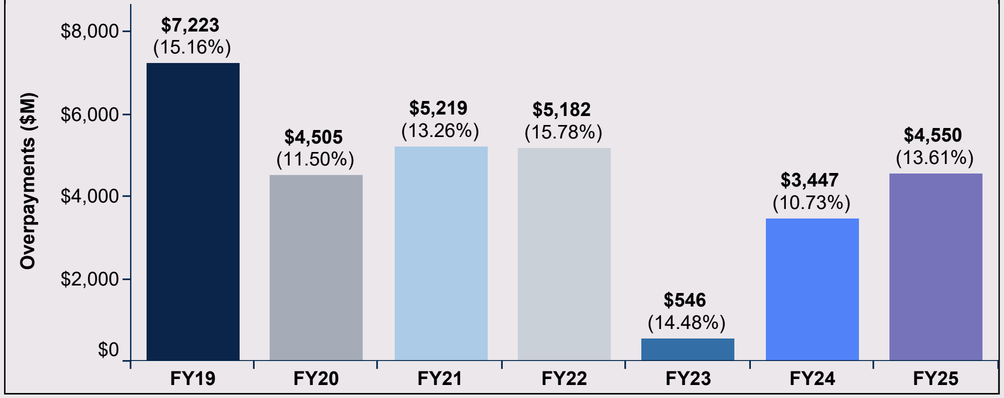
*Estimate based a sampling time frame starting 1/2023 and ending 12/2023

TREASURY
Internal Revenue Service - Additional Child Tax Credit

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

The Additional Child Tax Credit (ACTC) is a social benefits program for working families that is administered through the Internal Revenue Code. Approximately $4.28B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. Approximately $0.27B of ACTC 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.

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 portion of the refund (or, in the case of amended returns, prevents the issuance of the refund) until an audit can be completed. • Two- and Ten-Year Bans – The IRS embargoes taxpayers from claiming credits if the taxpayers' previous claims were due to reckless or intentional disregard of the rules and regulations or to fraud. • Pre-Refund Automated Questionable Credit Program – The IRS uses an automated program designed to protect revenue by covering returns that are currently untreated or undertreated by other available programs across the IRS. • Return Preparer Strategy Program — The IRS administers a program to help address issues related to high-risk preparers and improve compliance. The program identifies preparers who submit significant numbers of tax returns with over-claimed refundable credits or errors related to the head of household filing status.

	Accomplishments in Reducing Overpayment	Date
1	2026 Latino Tax Fest (LTF) – The IRS promoted refundable credit compliance and improper payment reduction by presenting "How Much Do You Know About Refundable Credits" at the 2026 LTF, educating tax professionals on ACTC and other refundable credit eligibility rules.	Jun-26
2	Dependent Database (DDb) Annual Meeting – The IRS held its annual DDb meeting with key stakeholders to assess prior- year compliance filters to identify improvements that enhance audit selection and reduce improper payments.	Jun-26
3	2026 Nationwide Tax Forum (NTF) – The IRS developed two seminars to deliver at its annual Tax Forum to increase paid tax preparers' understanding of the eligibility rules for the refundable credits, including ACTC and their due diligence requirements.	Jun-26

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	Goals towards Reducing Overpayments	Status	ECD
1	Reject electronic returns with missing or inconsistent information via math error.	On-Track	Sep-26
2	Conduct pre-refund audits.	On-Track	Sep-26

	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1	**Recovery Activity**	Examination Closures – 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.	Examination Closures – In the third quarter of FY26, the IRS completed examinations of more than 34,900 returns claiming high-priority refundable tax credits, including the ACTC, protecting more than $220M.
2	**Recovery Activity**	Two- and Ten-Year Bans – The IRS imposes two and ten-year bans on taxpayers if the IRS determines that the taxpayers' claims were due to reckless or intentional disregard of the rules and regulations or to fraud, respectively.	Two- and Ten-Year Bans – Through the third quarter of FY26, the IRS imposed two- and ten-year bans on more than 500 taxpayers deemed to have claimed refundable credits, including the ACTC, in reckless and intentional disregard of the law, or due to fraud.
3	**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. Approximately 20,000 letters were sent to taxpayers nationwide for returns prepared by ghost preparers that included EITC, ACTC, AOTC and net PTC. The data gathered from the phone calls received from the letters will be integrated and refined for the selection process next fiscal year to identify patterns, correlations and anomalies will assist in developing future strategies.	Soft Notices – For FY26, 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 EITC, ACTC, AOTC and net PTC. Responses help IRS identify non-compliant preparers, pursue enforcement and recover improper payments.

Amt($)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
$4,277M	Overpayments that occurred because the Data/Information Needed Does Not Exist.	Approximately $0.27B of the ACTC 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.	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) meetings with stakeholders to evaluate the value of prior-year compliance filters for audit selection of returns claiming the ACTC and identify improvement opportunities for next filing season.
$273M	Overpayments that occurred because of an Inability to Access the Data/Information Needed.	Approximately $4.28B of the ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing.	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 leverage data sharing pursuant to various interagency agreements, e.g., HHS and SSA, to more accurately validate refunds entitled to a taxpayer thus allowing the IRS to enforce laws passed by Congress more effectively.