

Payment Integrity Scorecard

Program or Activity Internal Revenue Service - Additional Child Tax Credit	Reporting Period Q4 2025	FY 2024 Overpayment Amount (\$M)*	\$3,447
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*Estimate based a sampling time frame starting 1/2020 and ending 12/2021



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. \$4.28B of ACTC overclaims are from the inability to authenticate eligibility because the data needed does not exist at the time of filing. \$0.27B of ACTC overclaims are from program design limitations because the claim eligibility and validation data is not available when the tax 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 number of tax returns with over-claimed refundable credits or errors related to the head of household filing status.

Accomplishments in Reducing Overpayment		Date
1	Software Developer Working Group (SDWG) – In May 2025, the IRS continued its partnership with members of key tax software associations by holding its quarterly meeting to reduce refundable credit errors and improve software-driven accuracy and claim validation.	May-25
2	Annual Dependent Database (DDb) Meeting – In June 2025, the IRS held its annual DDb meeting with key stakeholders to assess prior- year compliance filters for ACTC claims. The review identified improvements to enhance audit selection to reduce improper payments.	Jun-25
3	IRS Nationwide Tax Forum – During the fourth quarter of FY 25, the IRS delivered two presentations 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.	Sep-25

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Internal Revenue Service - Additional Child Tax Credit

Reporting Period
Q4 2025

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.	Completed	Sep-25	1 Recovery Activity	Examination Closures – IRS uses the DDb, a risk-based scoring and selection application that is designed to identify potentially ineligible tax returns claiming refundable credits.	Examination Closures – Through the fourth quarter of FY25, the IRS completed examinations on more than 5,200 returns claiming the ACTC, protecting more than \$7.4M.
					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 fourth quarter of FY25, the IRS imposed two- and 10-year bans on more than 1,000 taxpayers deemed to have claimed the ACTC in reckless and intentional disregard of the law and due to fraud.
				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.	Ghost Preparer Letter 6623 – The IRS issued 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.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$3,240M	Overpayments outside the agency control that occurred because the Data/Information Needed Does Not Exist.	\$0.27B of the ACTC overpayments are from program design limitations where errors are not detected because 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.	Change Process – The IRS will also 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 ACTC and identify improvement opportunities for next filing season.
\$207M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	\$4.28B of the ACTC overpayments are from the inability to authenticate claim eligibility because the validation data is not available when the tax return is filed.	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.	Cross-Enterprise Sharing – The IRS will continue to leverage data sharing pursuant to various interagency agreements to more accurately validate refunds entitled to a taxpayer thus allowing the IRS to enforce laws passed by Congress more effectively.