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TIGTA: IRS Gave Out More Than \$10 Billion in Excess Child Tax Credits in 2021

The IRS miscalculated 2021 child tax credit payments for thousands of eligible taxpayers as of May 5, 2022, TIGTA said.

Jason Bramwell • Jun. 15, 2023



The IRS miscalculated 2021 child tax credit payments for thousands of eligible taxpayers as of May 5, 2022, according to a [new report](#) from the Treasury Inspector General for Tax Administration.

The American Rescue Plan Act of 2021, which was approved by Congress and enacted on March 11, 2021, expanded the child tax credit and authorized monthly payments, with differing amounts, to eligible individuals and families based on their adjusted gross incomes and, if they have kids, their children's ages.

The IRS created an automated process to recalculate the child tax credit, including the amount of advance payments posted to a taxpayer's tax account, according to TIGTA. This process uncovered 3.8 million tax returns that contained a discrepancy between the IRS calculated child tax credit amount and the amount claimed by the taxpayer that required resolution.

The results of a TIGTA audit, which was released on June 14, found that:

- 6,833 taxpayers potentially received \$10.5 million in excess child tax credit because tax examiners incorrectly resolved error conditions that allowed more child tax credit than what the taxpayer was eligible to claim on their tax return.
- 105 taxpayers didn't receive all of their eligible child tax credit, estimated at \$139,000.

Regarding the "incorrectly resolved error conditions" that led to the \$10.5 million in excess child tax credit funding being issued, TIGTA said:

These errors go undetected because updates made to tax returns through the Error Resolution function do not have systemic controls to verify the corrections made. In December 2020, we reported a similar concern over the lack of verification/validation of entries by tax examiners. IRS management agreed with our recommendation to add controls to verify fields to prevent erroneous credits; however, at that time, programming was subject to availability of information technology resources and other competing priorities. As a result, the corrective action was placed on hold and erroneous credits continued to be issued to taxpayers.

IRS management estimated, based on a judgmental sample, that about 95% (6,491) of the taxpayers TIGTA identified had an error code that was closed in error, the report said, and the IRS will consider recovering the excess child tax credit based upon resource availability.

“We continue to believe that the IRS should review and correct all tax returns that we identified,” TIGTA said.

The IRS informed TIGTA on Oct. 12, 2022, of a programming error that occurred during the tax agency’s controlled launch for the 2022 filing season, which likely led to the 105 taxpayers not receiving all of their eligible child tax credit.

TIGTA said in the report:

In these instances, the IRS captured the incorrect number of qualifying children and selected the tax returns for error resolution. During the error correction process, the taxpayers received less child tax credit than they were eligible to receive. The IRS plans to consider these cases for treatment (i.e., ensure the appropriate amount of child tax credit is given) subject to resource availability. However, we believe that the IRS should ensure that all 105 tax accounts are corrected to ensure that these individuals receive all their eligible child tax credit.

The IRS agreed with four of the seven recommendations from TIGTA and partially agreed with another, according to the report. The IRS didn’t agree to identify additional taxpayers with excess child tax credits or to develop a process to recover erroneous advance payments from taxpayers who didn’t file a tax return.

“The IRS considers taxpayer service its top priority,” Kenneth Corbin, commissioner of the IRS Wage and Investment Division, said in response to TIGTA’s findings. “We understand TIGTA’s concern about taxpayers who received advance payments yet didn’t file a tax return for reconciliation of the payments. However, taxpayers who received an advanced payment but did not meet the minimum filing requirement were not required to file a 2021 tax return. Requesting a return from them would not be good customer service.”

A [report released last September](#) from TIGTA revealed that between July and November 2021, the IRS sent 3.3 million advanced child tax credit payments, totaling

more than \$1.1 billion, to 1.5 million taxpayers who shouldn't have received the money. In addition, the IRS didn't send 8.3 million payments, totaling about \$3.7 billion, to 4.1 million eligible taxpayers.

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