American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments

September 21, 2022

Report Number: 2022-47-070
HIGHLIGHTS: American Rescue Plan Act:
Accuracy of Advance Child Tax Credit Periodic Payments

Final Audit Report issued on September 21, 2022
Report Number 2022-47-070

Why TIGTA Did This Audit

The American Rescue Plan Act of 2021 (ARPA), enacted on March 11, 2021, increased the amount of the Child Tax Credit from $2,000 to $3,000 per child under the age of 18 ($3,600 for children under age of 6) for Tax Year 2021 only and made the credit fully refundable to eligible taxpayers. The increased Child Tax Credit is reduced (phased out) for taxpayers with adjusted gross income that exceeds $75,000 ($112,500 for head of household and $150,000 for married couples filing a joint return and qualifying widow(er)s).

This audit was initiated to assess processes and procedures to ensure that Child Tax Credit advance periodic payments are accurate and made to only those taxpayers who meet qualification requirements.

Impact on Tax Administration

In preparation to issue advance monthly Child Tax Credit payments, the IRS launched a series of comprehensive educational and awareness campaigns, and coordinated with internal and external stakeholders to focus outreach on those taxpayers most impacted by these changes.

While the IRS moved swiftly to correctly send more than 175.6 million payments totaling $75.6 billion, there were 8.3 million payments totaling $3.7 billion that should have been sent to 4.1 million eligible taxpayers.

What TIGTA Found

The swiftness of the IRS’s implementation of the ARPA-related monthly advance Child Tax Credit payments was a significant undertaking. The first monthly payments were issued on July 15, 2021, only four months after legislation was enacted. As of December 2021, the IRS had issued 216.9 million payments totaling $93.5 billion.

TIGTA’s review of 178.9 million payments made between July and November 2021, totaling more than $76.7 billion, determined that the IRS correctly sent more than 175.6 million payments (98 percent) totaling about $75.6 billion. However, 3.3 million payments, totaling over $1.1 billion, were sent to 1.5 million taxpayers who should not have received the payment. Further, the IRS did not send 8.3 million payments, totaling about $3.7 billion, to 4.1 million eligible taxpayers.

The IRS developed a reconciliation letter, as required by legislation, identifying advanced payments received by taxpayers and to use when preparing their Tax Year 2021 tax return. TIGTA’s review of the 57.1 million reconciliation letters sent to taxpayers identified only 6,829 letters that were not sent to taxpayers or were sent with an incorrect amount of advance Child Tax Credit payments. This was primarily due to the reversals of advance payments that were not reflected on the reconciliation letters. TIGTA plans to continue to monitor payment reversals that occur after the issuance of the letters in our review of the reconciliation of Child Tax Credit payments in Filing Season 2022.

Finally, processes are needed to ensure the validity of bank account information received from third parties. Our review identified 11,459 payments, totaling $4.2 million, were erroneously sent to 523 bank accounts. The IRS also erroneously updated 1,610 taxpayers’ direct deposit information with bank account information associated with a payroll allotment account (e.g., a health savings account).

What TIGTA Recommended

TIGTA made five recommendations to the IRS including the need to take actions to: prevent taxpayers from receiving additional improper advance Child Tax Credit payments, inform taxpayers of the possibility that their advance payments may have been sent to other accounts the taxpayers may own, and validate incoming files from third-party sources prior to their use.

The IRS agreed with all of the recommendations. The IRS posted transaction codes on the impacted accounts to block additional payments to ineligible taxpayers, and the IRS plans to implement procedures to validate incoming files from third-party sources prior to their use.
September 21, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Heather M. Hill
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments (Audit # 202140727)

This report presents the results of our review to assess processes and procedures to ensure that Child Tax Credit advance periodic payments are accurate and made to only those taxpayers who meet qualification requirements. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenges of Implementing Tax Law Changes and Reducing Fraudulent Claims and Improper Payments.

Management’s complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Diana M. Tengesdal, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).
Table of Contents

Background .......................................................................................................................................Page  1

Results of Review ............................................................................................................................Page  3

Some TaxpayersErroneously Received Advance Child Tax Credit Payments ................................................Page  4

Recommendation 1: .....................................................................................................................Page  5

Some Taxpayers Did Not Receive Advance Child Tax Credit Payments ..................................................Page  6

Recommendation 2: .....................................................................................................................Page  6

Some Ineligible Taxpayers Were Sent Letters Regarding Eligibility and Estimated Payments, While Others Were Overlooked ..........................................................Page  7

Recommendation 3: .....................................................................................................................Page  8

Processes Are Needed to Ensure the Validity of Bank Account Information Received From Third Parties ..........................................................Page  9

Recommendations 4 and 5: ........................................................................................................Page 10

Appendices

Appendix I – Detailed Objective, Scope, and Methodology ..............................................................Page 11

Appendix II – Outcome Measures ..................................................................................................Page 13

Appendix III – Example of Letter 6416, Advance Child Tax Credit Outreach ..................................................Page 16

Appendix IV – Example of Letter 6417, Advance Child Tax Credit Payment ..................................................Page 17

Appendix V – Management’s Response to the Draft Report ..............................................................Page 18

Appendix VI – Abbreviations ..........................................................................................................Page 23
Background

The American Rescue Plan Act of 2021 (ARPA),\(^1\) enacted on March 11, 2021, increased the amount of the Child Tax Credit from $2,000 to $3,000 per child under the age of 18 ($3,600 for children under the age of 6) for Tax Year (TY)\(^2\) 2021 only and makes the Child Tax Credit fully refundable to eligible taxpayers. However, the increased Child Tax Credit is reduced (phased out) for taxpayers with adjusted gross income that exceeds $75,000 ($112,500 for head of household and $150,000 for married couples filing a joint return and qualifying widow(er)s).

The ARPA authorizes advance periodic payments of the Child Tax Credit

The ARPA also directed the Internal Revenue Service (IRS) to establish a program for making periodic payments to taxpayers, equal to 50 percent of the estimated credit amount. Taxpayers can claim the remaining one-half of the credit when they file their TY 2021 tax return. To determine eligibility and the amount of these advance payments, the IRS was authorized to use information from a taxpayer’s TY 2020 tax return. If the taxpayer had not yet filed a TY 2020 tax return, the IRS could then use the taxpayer’s TY 2019 tax return.

In addition, for eligibility determination, the IRS can also use information that the taxpayer may have entered into either the Child Tax Credit Non-Filer Sign-up Tool or the Non-Filers: Enter Payment Info Here Tool (also used to receive their stimulus payment). The Child Tax Credit Non-Filer Sign-up Tool assisted taxpayers who were eligible to receive advance Child Tax Credit payments but did not have a tax return filing requirement. The tool allowed taxpayers to file a simplified TY 2020 tax return that contained the information the IRS needed to determine the taxpayer’s eligibility and issue the advance payment.

The IRS began issuing advance payments of the Child Tax Credit on July 15, 2021, and continued issuing these payments each month through December 2021. Figure 1 shows the number of payments and amounts of these payments issued each month.

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\(^1\) Pub. L. 117-2.

\(^2\) A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.
American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments

Figure 1: Summary of Monthly Advance Child Tax Credit Payments

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Payments</th>
<th>Amount of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>35,192,958</td>
<td>$14,886,893,467</td>
</tr>
<tr>
<td>August</td>
<td>37,344,036</td>
<td>$15,933,506,547</td>
</tr>
<tr>
<td>September</td>
<td>36,184,171</td>
<td>$15,437,269,519</td>
</tr>
<tr>
<td>October</td>
<td>36,001,264</td>
<td>$15,489,288,793</td>
</tr>
<tr>
<td>November</td>
<td>36,105,517</td>
<td>$15,722,851,547</td>
</tr>
<tr>
<td>December</td>
<td>36,076,784</td>
<td>$16,023,936,767</td>
</tr>
<tr>
<td>Totals</td>
<td>216,904,730</td>
<td>$93,493,746,640</td>
</tr>
</tbody>
</table>

Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of monthly advance Child Tax Credit payment information provided by the IRS each month between July and December 2021.

The ARPA required the development of an online portal to allow taxpayers to update their information

ARPA legislation also required the IRS to develop an online portal, known as the Child Tax Credit Update Portal. This portal provides taxpayers with the ability to unenroll from receiving advance payments. In addition, the portal was to allow taxpayers to update their mailing address, bank account information for direct deposit of payments, the number of their qualifying children, filing status, and annual income. Taxpayers access the Child Tax Credit Update Portal either by using their existing IRS credentials established for access to Get Transcript or Online Account, or by creating an account using the Secure Access Digital Identity system. According to the IRS, because the Secure Access Digital Identity system is intended to improve taxpayer access to IRS online services as well as provide the next generation of identity proofing, the launch of this system was accelerated.

Updates made to the taxpayer’s information via the Child Tax Credit Update Portal are then reflected in the IRS’s records and used in determining the taxpayer’s advance monthly payment. The IRS began developing the Child Tax Credit Update Portal immediately upon implementation of the ARPA and on June 21, 2021, deployed the first release that allowed taxpayers to check if they were eligible to receive or unenroll from receiving the advance payments.

For those taxpayers who may not have access to the Internet, the IRS developed alternative non-electronic processes to enable these taxpayers to perform many of the functionalities that the Child Tax Credit Update Portal provides. For example, the IRS created a dedicated telephone line for taxpayers to call and unenroll or provide the IRS with updated information. In

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3 The IRS stated that it developed the ability to change the number of qualifying children and filing status, but these capabilities were not released.

4 Allows taxpayers to view and download their tax information, such as account transactions, line-by-line tax return information, and income reported to the IRS. Taxpayers can download or print five distinct transcript types: tax account, tax return, record of account, wage and income, and verification of nonfiling.

5 Verifying the claimed identity of an applicant by collecting and validating sufficient information, e.g., identity history, credentials, and documents, about a person.
addition, taxpayers could also visit a Taxpayer Assistance Center. The IRS’s customer service representatives, answering the telephone or at the Taxpayer Assistance Center, will authenticate the taxpayer and then enter the taxpayer’s request or updated information in the Accounts Management System. Similar to the Child Tax Credit Update Portal, changes made in the Accounts Management System will update the IRS’s records and be factored into the taxpayer’s next monthly advance payment. Taxpayers can update their bank account information only through the Child Tax Credit Update Portal. We conducted a separate review of the Child Tax Credit Update Portal and nonportal update methods.

This audit assesses the processes and procedures to ensure that advance Child Tax Credit payments were made to only those taxpayers who met the qualification requirements as well as the accuracy of the amounts reflected in Letter 6419, 2021 Total Advance Child Tax Credit (AdvCTC) Payments, which were mailed to taxpayers starting in late December 2021. We are conducting a separate review to ensure that taxpayers are properly reconciling the advance Child Tax Credit payments received during Calendar Year 2021.

### Results of Review

In preparation of issuing advance monthly Child Tax Credit payments, the IRS launched a series of comprehensive educational and awareness campaigns. This was done to ensure that taxpayers understood changes made to the eligibility requirements and to inform taxpayers of the Child Tax Credit Non-Filer Sign-up Tool, as well as the Child Tax Credit Update Portal, and non-electronic processes to unenroll and/or update their information that is then used to calculate the advance monthly Child Tax Credit payment amounts. The IRS also coordinated with internal and external stakeholders to identify taxpayers most impacted by these legislative changes to focus outreach efforts to this specific population of taxpayers. The IRS’s collective outreach efforts included publishing information in tax publications, developing and distributing marketing materials, using social media, and conducting in-person outreach events.

The swiftness of the IRS’s implementation of the ARPA-related monthly advance Child Tax Credit payments was a significant undertaking. Overall, the IRS’s efforts to implement this legislation directly resulted in assisting millions of taxpayers in obtaining advance Child Tax Credit payments. As stated previously, the IRS deployed the first release of the Child Tax Credit Update Portal on June 21, 2021, and issued the first monthly payments on July 15, 2021, only four months after legislation was enacted. As of December 2021, the IRS had issued 216.9 million

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6 An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face.
7 Receives and/or initiates contact with taxpayers and/or their representatives to encourage voluntary compliance and resolves account inquiries, performs research on taxpayer accounts to facilitate case resolution, coordinates with external collection partners to resolve identified issues that impede case resolution, and adjusts taxpayer accounts.
8 A system that provides employees access to multiple IRS systems through their computers and allows for inventory management, case delivery, history narratives, print-to-fax capabilities for sending information to taxpayers, and electronic referral generation.
10 TIGTA, Audit No. 202240712, American Rescue Plan Act Advanced Child Tax Credit Tax Filing Reconciliation for Individuals.
payments totaling $93.5 billion. Accomplishing this required a significant undertaking on the IRS’s part to develop processes/procedures to determine eligibility, compute payment amounts, and develop an online portal and non-electronic assistance options for taxpayers to provide the IRS with updates to key information used to compute the amount of payments.

Our review of 178.9 million advance Child Tax Credit payments issued for July through November 2021, totaling more than $76.7 billion,\textsuperscript{11} identified:

- 175.6 million payments (98 percent) totaling $75.6 billion were made to eligible taxpayers.
- 3.3 million payments (2 percent) totaling over $1.1 billion that were erroneously sent to individuals who were not eligible to receive a payment.

Our analysis also identified an additional 8.3 million payments totaling $3.7 billion that the IRS should have sent to 4.1 million eligible taxpayers.

In addition, IRS notification letters, i.e., Letter 6416, \textit{Advance Child Tax Credit Outreach},\textsuperscript{12} and/or Letter 6417, \textit{Advance Child Tax Credit Payment},\textsuperscript{13} were not sent to some taxpayers who should have received a letter and conversely were sent erroneously to taxpayers who should not have received a letter. Finally, as required by the ARPA legislation, the IRS sent Letter 6419, which provided taxpayers with a written notice regarding advance Child Tax Credit payments to help them reconcile and receive the TY 2021 Child Tax Credit. The letter contains necessary information for taxpayers to prepare their TY 2021 tax returns.

\textbf{Some Taxpayers Erroneously Received Advance Child Tax Credit Payments}

Our analysis of advance Child Tax Credit payments issued for July through November 2021 identified 3.3 million payments that were sent erroneously to 1.5 million taxpayers who were not eligible to receive a payment. These payments totaled nearly $1.1 billion and included instances in which a dependent did not meet age requirements, was deceased, or was claimed on another tax return. Taxpayers who receive the advance Child Tax Credit payments for which they do not qualify may be required to repay the erroneous payments received.\textsuperscript{14}

During the course of our audit, we independently identified taxpayers who were eligible for advance Child Tax Credit payments. This was done to allow us to then evaluate whether the IRS correctly issued advance Child Tax Credit payments to only those individuals who were eligible. When we identified instances in which taxpayers received erroneous advance Child Tax Credit payments, we immediately notified IRS management to determine the cause of the erroneous...

\textsuperscript{12} See Appendix III for an example of the letter.
\textsuperscript{13} See Appendix IV for an example of the letter.
\textsuperscript{14} Individuals who received an excess amount of advance Child Tax Credit payments may not be required to repay those amounts. Taxpayers will not need to repay the excess payment amount if their main home was in the United States for more than one-half of Calendar Year 2021, if they received advance payments for more children than they claim on their TY 2021 tax return, and their modified adjusted gross income is less than or equal to $40,000 ($50,000 for head of household filers and $60,000 for married couples filing a joint return and qualifying widow(er)s). This provision gradually phases out.
payment, and more importantly to ensure that they took action(s) to prevent additional advance Child Tax Credit payments from being issued to ineligible taxpayers for the subsequent monthly payments. For example, the concerns we raised included:

- 496,205 potentially improper advance Child Tax Credit payments totaling almost $134 million in July 2021 because the dependent claimed on the TY 2019 or 2020 return was not eligible (e.g., more than one taxpayer claimed the dependent on their TY 2019 or 2020 return, or the dependent(s) claimed was too old).

- 393,282 potentially improper advance Child Tax Credit payments totaling almost $132.1 million in August and September 2021 because the dependent claimed on the TY 2019 or TY 2020 tax return was not eligible.

- 41,329 potentially improper advance Child Tax Credit payments in October 2021 totaling $17.3 million because the dependent(s) claimed was also claimed by another taxpayer on their TY 2020 return.

**Recommendation 1 (E-Mail Alert):** As detailed previously, we provided the Director, Return Integrity and Compliance Services, Wage and Investment Division, with notifications and files detailing erroneous payments we identified and recommended that the IRS evaluate the discrepancies to identify why the payments were made to prevent additional periodic payments to ineligible taxpayers. In addition, we recommended that the IRS add a stop payment transaction code to taxpayer accounts to prevent them from receiving additional improper advance Child Tax Credit payments.

**Management’s Response to Alert:** The IRS agreed with our recommendation. On August 11, 2021, IRS management agreed with 454,284 of the 496,205 July 2021 payment exception cases and stated that the improper payments were the result of a computer programming error. The IRS advised that the computer programming error had been corrected by September 23, 2021. For the remaining 41,921 payments, the IRS stated that the taxpayers had at least one eligible dependent and a July 2021 advance Child Tax Credit payment was warranted.

On October 7, 2021, IRS management agreed with the ineligible dependent issue involving 393,282 August and September 2021 payments. Management indicated that they worked with the Information Technology organization to place a transaction code on taxpayers’ accounts to prevent the issuance of the October 2021 advance Child Tax Credit payments to taxpayers with duplicate dependent issues. Management also noted they were reviewing the business and technical requirements to identify and correct any other potential issues.

On December 27, 2021, IRS management agreed with 35,415 of the 41,329 October 2021 payment exception cases, stating they created a bypass condition to prevent payments from being issued in the event that a January 2022 payment file is generated. For the remaining 5,914 payments, the IRS stated that the dependents were eligible for advance Child Tax Credit payments.

Finally, management noted in their formal response to this report that on October 6, 2021, they posted transaction codes on the impacted accounts to block additional payments from being made to those taxpayers determined to be ineligible.
Management also notified the public of the actions taken through a public service announcement on IRS.gov.

**Some Taxpayers Did Not Receive Advance Child Tax Credit Payments**

Our analysis of advance Child Tax Credit payments issued for July through November 2021 identified 8.3 million payments totaling about $3.7 billion that should have been sent to 4.1 million eligible taxpayers. Using the same approach as we detailed previously, we identified taxpayers who were eligible to receive an advance Child Tax Credit payment but had not been issued a payment by the IRS. For the July and August 2021 payments, we immediately notified IRS management to determine the cause of the nonpayment and ensure that action(s) were taken to send payments to eligible taxpayers.

**Recommendation 2 (E-Mail Alert):** On August 9, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, of our concerns related to eligible taxpayers who did not receive their advance Child Tax Credit payments. We recommended that the IRS evaluate the discrepancies to identify why periodic payments were not made to eligible taxpayers.

**Management’s Response to Alert:** The IRS agreed with our recommendation. For the July 2021 advance Child Tax Credit payments, IRS management indicated that there was a programming error that erroneously excluded taxpayers who had an Individual Taxpayer Identification Number from receiving the advance Child Tax Credit payment.

For the August 2021 advance Child Tax Credit payments, a programming error occurred when only one spouse updated their bank account information in the Child Tax Credit Update Portal. The IRS required both spouses to update this information for the entire advance payment to be deposited into the new bank account.

The IRS corrected errors that caused certain taxpayers to be excluded from receiving a periodic payment. In August 2021, the IRS issued 1,294,928 recovery payments to impacted taxpayers totaling more than $503.7 million, and in September 2021, the IRS sent 632,505 recovery payments to affected taxpayers totaling about $224.1 million. The IRS stated that these taxpayers continued to receive the appropriate monthly payments unless they became ineligible, and that it established a team to continue tracking and addressing advanced payment issues in the event subsequent legislation would have extended the advance payments beyond 2021.

For those eligible individuals the IRS was unable to address, the IRS advised that advance payments that were not made would be provided when the taxpayers complete the Child Tax credit reconciliation, *i.e.*, Schedule 8812, *Credits for Qualifying Children and Other Dependents*, as part of their TY 2021 tax return filing. As a result, we did not request IRS management to determine the cause of the nonpayment for September through November payments. We are conducting a separate review of the reconciliation of Child Tax Credit payments in Filing 15.

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15 A nine digit number assigned by the IRS to taxpayers who are required to have a Taxpayer Identification Number for Federal tax purposes but are not eligible to obtain a Social Security Number.
Season 2022, which includes monitoring the filings of these individuals to ensure that they receive their payments.\textsuperscript{16}

**Some Ineligible Taxpayers Were Sent Letters Regarding Eligibility and Estimated Payments, While Others Were Overlooked**

In June 2021, the IRS sent 36.5 million Letters 6416 notifying taxpayers they may be potentially eligible to receive advance monthly Child Tax Credit payments. This letter also informed taxpayers that if they did not want to receive these advance payments, instructions for unenrolling would be provided by the end of June. Finally, the letter directed taxpayers to the IRS’s newly created website (irs.gov/childtaxcredit2021) where they could obtain additional information related to the advance Child Tax Credit payments.

On June 10, 2021, and July 13, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that our review identified 269,938 taxpayers who were erroneously sent Letter 6416. Conversely, we also identified 358,993 taxpayers who should have been sent Letter 6416. We recommended that the IRS ensure that taxpayers who were erroneously sent a letter do not receive an advance payment and those who should receive an advance Child Tax Credit payment are notified. In response, management stated that the purpose of Letter 6416 was to notify potential eligible taxpayers and the letter was not the actual number of taxpayers who would receive the advance payments because they were still working on refining the criteria. The IRS indicated that it would not be issuing any additional outreach letters because it needed to focus its resources on preparing to issue the monthly payments.

In addition to issuing Letter 6416, the IRS also sent 33.4 million Letters 6417 in June 2021 advising taxpayers that the advance payments would begin in July 2021. Taxpayers who had already filed their TY 2019 or 2020 tax return were advised that no further action was needed. The letter further explained that if taxpayers received their tax refund via direct deposit, their advance payments would also be deposited via direct deposit on the 15\textsuperscript{th} of every month. Finally, the letter provided taxpayers with the amount of the estimated advance monthly Child Tax Credit payment.

On July 23, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that we identified over 4.3 million taxpayers who were not sent Letter 6417. Conversely, we identified over 761,000 taxpayers who were sent Letter 6417 in error. In response, management stated that the file used to generate Letter 6417 represented taxpayers that the IRS estimated would receive the advance payments using tax return information and programming requirements as of May 27, 2021, \textit{i.e.}, a snapshot in time. In addition, the IRS needed to meet a specific deadline to issue these letters before the first payments were issued on July 15, 2021. The IRS also indicated that it needed to focus its resources on preparing to issue the remaining monthly payments.

\textsuperscript{16} TIGTA, Audit No. 202240712, \textit{American Rescue Plan Act Advanced Child Tax Credit Tax Filing Reconciliation for Individuals.}
The IRS developed a reconciliation letter as required by legislation

As stated previously, the ARPA also required the IRS to provide taxpayers with a written notice, regarding advance Child Tax Credit payments, no later than January 31, 2022, identifying advanced payments received by taxpayers and to use when preparing their Tax Year 2021 tax return. As a result, the IRS developed Letter 6419. The letter includes the:

- Total amount of TY 2021 advance Child Tax Credit payments.
- Number of qualifying children used to calculate advance payments.

This letter also contains information to assist taxpayers in preparing their TY 2021 tax returns. Our analysis of the IRS’s Letter 6419 file determined that the IRS sent the majority of the letters to the correct taxpayers, and the letters included the correct amounts of advance Child Tax Credit payments taxpayers received. Specifically, of the 57.1 million letters sent to taxpayers, we identified 6,829 letters that were not sent to taxpayers or were sent with an incorrect amount of advance Child Tax Credit payments. On January 18, 2022, we provided IRS management with a preliminary list of 835 taxpayers with discrepancies for their evaluation. The IRS advised that these discrepancies primarily involved differences due to the reversals of advance payments that were not reflected on Letter 6419 due to timing of the IRS’s cutoff date to issue the letters and the posting of the reversal to the taxpayer’s tax account. Reversals reduce the total advance Child Tax Credit payments and can occur due to a payment being returned as undeliverable. An undeliverable payment can take months before the IRS identifies and posts to the taxpayer’s tax account. Management noted that they included content on IRS.gov on where and what the taxpayer can do to get the information if they did not receive Letter 6419.

We are conducting a separate review that includes monitoring payment reversals that occur after the issuance of Letter 6419 to ensure that taxpayers receive their correct amount of Child Tax Credit.

Information provided to taxpayers through the eligibility assistant tool and IRS website was not always clear

The IRS created a website specifically to provide taxpayers with resources related to the Child Tax Credit. This website had an interactive advance Child Tax Credit eligibility assistant tool that the IRS developed to help families determine whether they qualify for the advance Child Tax Credit payments. Our review identified that the information provided could be improved to better ensure taxpayer understanding of the information being provided.

**Recommendation 3 (E-Mail Alert):** On June 29, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that the messaging provided on the IRS’s eligibility assistant tool and the presentation of information related to the advance Child Tax Credit payments on IRS.gov may be confusing to taxpayers. For example, the link to “Get Answers on the Advance Child Tax Credit” that is located on the IRS.gov main page takes taxpayers to the Advance Child Tax Credit Payments in 2021 web page; however, the links to get the questions and answers is at the bottom of the screen. We recommended that the IRS

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17 TIGTA, Audit No. 202240712, American Rescue Plan Act Advanced Child Tax Credit Tax Filing Reconciliation for Individuals.
Management’s Response: IRS management agreed and updated or modified links to the *Advance Child Tax Credit Payments in 2021* web page and the main page of IRS.gov. On July 9, 2021, IRS management revised messaging provided on the eligibility assistant tool.

**Processes Are Needed to Ensure the Validity of Bank Account Information Received From Third Parties**

Our analysis of bank accounts to which monthly advance Child Tax Credit payments were sent during July and August 2021 identified 523 bank accounts associated with 11,216 taxpayers that the IRS sent 11,459 potentially erroneously payments totaling $4.2 million. The IRS sent four or more deposits to these 523 bank accounts. IRS internal guidelines state that if more than three taxpayers use the same bank account, the advance Child Tax Credit payments will be issued as a paper check beginning with the fourth taxpayer to use the account. This is done to protect against undetected identity theft. When we brought our concerns to IRS management’s attention, they agreed that the majority of these payments were in fact erroneously sent to these bank accounts. Specifically, the IRS concluded that as of September 24, 2021:

- 11,431 of the 11,459 payments from July and August 2021 had transactions on the taxpayer’s tax account that either reversed or replaced the bank account information, or unenrolled the taxpayer.
- 10,603 (93 percent) of the 11,459 payments for July and August 2021 were returned by the bank.

According to the IRS, the erroneous payments were the result of errors in the direct deposit numbers provided in third-party files the IRS used to update taxpayer direct deposit numbers. The IRS updates the direct deposit information to reduce the number of paper checks issued where the taxpayer did not provide direct deposit information. This helps ensure that taxpayers received their advance Child Tax Credit payments in the most expeditious manner. The IRS coordinated with the Bureau of the Fiscal Service (BFS) to obtain direct deposit information for those potentially eligible taxpayers who did not have a bank account on file with the IRS.

Specifically, some of the direct deposit numbers were “truncated” and thus were not valid direct deposit numbers. As a hypothetical, the bank account number was 123450, but it should have been 1234500000. It was not until we brought our concerns to management’s attention that they realized there was a truncation error. IRS management indicated that they did not validate the direct deposit account number before updating the information to taxpayer tax accounts. Going forward, the IRS advised that validation will be completed to ensure that all BFS files contain valid direct deposit account numbers.

However, subsequent to the IRS stating it would validate bank account information, our review identified additional truncated bank account numbers for which subsequent payments were attempted to be sent. When we brought this same issue to IRS management’s attention a few months later, they agreed that being able to validate files received from third parties was a good suggestion. The IRS’s position is that any validation efforts should be completed by the BFS.
prior to sending the data to the IRS, because the BFS is the agency providing the third-party bank account data.

**Third-party bank information provided to the IRS in August 2021 also incorrectly included bank account information associated with allotment accounts**

Our review also identified that direct deposit information from the BFS included accounts whereby taxpayers received some type of government payment. For example, the BFS provided the IRS with payroll allotment accounts, e.g., a health savings account, for 1,610 taxpayers for which the IRS issued 5,468 payments totaling $1.8 million. This information was used by the IRS to proactively update taxpayers’ direct deposit numbers between August 23, 2021, and October 5, 2021.

Specifically, the IRS obtained direct deposit account information for taxpayers who had been receiving a paper check from the BFS, and the IRS used this information to update the taxpayers’ accounts. This allowed the IRS to begin sending the taxpayers electronic payments; however, in some instances, the BFS provided payroll allotment accounts — accounts in which taxpayers would not know to look when trying to find these payments. This created unnecessary burden and worry for taxpayers when they received their Letter 6419 and could not reconcile their advance payments to their bank account information.

**Recommendation 4 (E-Mail Alert):** On January 28, 2022, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that we identified 2.2 million taxpayers who had their direct deposit information updated by the IRS between August 23 and October 5, 2021. We recommended that the IRS conduct an outreach effort to inform taxpayers of the possibility that their advance payments may have been sent to payroll allotment accounts. This outreach effort could include sending a separate letter to the impacted taxpayers.

**Management’s Response:** IRS management agreed with our recommendation and stated that the BFS will issue outreach notices to taxpayers whose advance Child Tax Credit payment was sent to a payroll allocation account. In addition, the IRS stated that the BFS will also support a toll-free operation to assist taxpayers in identifying the accounts to which advance Child Tax Credit payments were made.

We plan to continue to monitor this situation in our separate review of the reconciliation of Child Tax Credit payments in Filing Season 2022.

**Recommendation 5:** The Director, Return Integrity and Compliance Services, Wage and Investment Division, should develop and implement processes and procedures to include data validation on incoming files from third-party sources prior to their use.

**Management’s Response:** The IRS agreed with this recommendation and will implement processes and procedures to complete data validation prior to its use from third-party sources.

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Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess processes and procedures to ensure that Child Tax Credit advance periodic payments are accurate and made to only those taxpayers who meet qualification requirements. To accomplish our objective, we:

- Evaluated the IRS’s processes for ensuring that it identified all eligible individuals for advance Child Tax Credit payments and sent notification letters to only eligible taxpayers.
- Assessed the IRS’s processes for ensuring that it identified all eligible individuals for advance Child Tax Credit payments and sent advance Child Tax Credit payments to only eligible taxpayers. We assessed IRS methodologies and criteria for identifying the correct taxpayers to receive advance Child Tax Credit payments, and quantified the number of eligible individuals who did not receive notification letters or advance Child Tax Credit payments and the amount for each that was not issued.
- Evaluated the IRS’s processes for accurately issuing Letter 6419, which provided taxpayers a written notice to help reconcile and receive the TY 2021 Child Tax Credit.
- Reviewed bank account information to identify payments going to the same bank account for different taxpayers.

Performance of This Review

This review was performed with information obtained from the Wage and Investment Division, Return Integrity and Compliance Services function during the period July 2021 through April 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Diana M. Tengesdal, Director; Darryl Roth, Audit Manager; Kenneth Carlson, Lead Auditor; Tanya Boone, Senior Auditor; and Sandy Ramos, Auditor.

Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained taxpayer account information from the IRS’s Individual Master File, TYs 2019 and 2020 tax return information from the Individual Returns Transaction File, personal information about taxpayers from the National Account Profile table, and payment

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1 The IRS database that maintains transactions or records of individual tax accounts.
2 A database maintained by the IRS that contains information on the individual tax returns it receives.
3 IRS database that is a compilation of selected entity data from various IRS Master Files that also includes data from the Social Security Administration.
data from the IRS’s Economic Impact Payment Tax File and Refund Files\(^4\) for Processing Year\(^5\) 2021 that were available on TIGTA’s Data Center Warehouse.\(^6\) We ensured that each file contained the specific data elements relevant to our review. We selected samples from each extract and verified that the data in the extracts were the same as the data captured in the Integrated Data Retrieval System.\(^7\) We determined that the data were sufficiently reliable for purposes of this report.

**Internal Controls Methodology**

Internal controls relate to management’s plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: processes and procedures for the IRS’s implementation of the advance Child Tax Credit eligibility requirements and the issuance of periodic payments. We tested these controls by reviewing and analyzing relevant documents, data, and calculations and holding discussions with IRS management.

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\(^4\) A database that contains information on tax refunds sent for processing.

\(^5\) The calendar year in which the tax return or document is processed by the IRS.

\(^6\) A TIGTA repository of IRS data.

\(^7\) IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer’s account records.
Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Actual; 882,981 payments made totaling $267,203,496 that were sent to taxpayers who should not have received them (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for TYs 2019 and 2020, the Individual Return Transaction File for Processing Years 2020 and 2021, the National Account Profile for Processing Year 2021, and the Listing of Advance Child Tax Credit payments between July and November 2021.

Each month between July and November 2021, we used the above tax information to determine the eligibility of dependents claimed on taxpayers’ TY 2019 and/or TY 2020 tax returns. We used the tax and dependent information, along with IRS criteria for determining advance Child Tax Credit payment eligibility, to create a table of taxpayers who should have received advance Child Tax Credit payments. Each month, we compared our analyses to the 178,900,513 monthly payments, totaling more than $76.7 billion, issued by the IRS between July and November 2021, and identified 1,463,013 ineligible taxpayers who received more than $1.1 billion in payments. Of these, we focused our analysis to identify the most frequent causes of the improper payments, ineligible or duplicate dependents. Our analysis identified and IRS management agreed with:

- 454,284 improper advance Child Tax Credit payments made in July 2021, totaling $119,929,080 where the dependents claimed on taxpayers’ TY 2019 and/or TY 2020 tax returns were not eligible.

- 393,282 improper advance Child Tax Credit payments made in August and September 2021 totaling $132,075,843 where the dependents claimed on taxpayers’ TY 2019 and/or TY 2020 tax returns were not eligible.

- 35,415 improper advance Child Tax Credit payments made in October 2021, totaling $15,198,573 where the dependent(s) claimed was not eligible because the dependent was also claimed by another taxpayer in TY 2020.
Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Actual; 1,927,433 payments totaling $727,794,113 that should have been sent to eligible taxpayers (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for TYs 2019 and 2020, the Individual Return Transaction File for Processing Years 2020 and 2021, the National Account Profile for Processing Year 2021, and the Listing of Advance Child Tax Credit payments between July and November 2021.

Each month between July and November 2021, we used the above tax information to determine the eligibility of dependents claimed on taxpayers’ TY 2019 and/or TY 2020 tax returns. We used the tax and dependent information, along with IRS criteria for determining advance Child Tax Credit payment eligibility, to create a table of taxpayers who should have received advance Child Tax Credit payments. Each month, we compared our analyses to the 178,900,513 monthly payments, totaling more than $76.7 billion, issued by the IRS between July and November 2021 and identified 4,107,195 eligible taxpayers who did not receive 8,330,030 payments totaling nearly $3.7 billion in payments to which they were entitled to receive. Of these, we focused our analysis to identify the most frequent causes of why eligible taxpayers did not receive monthly payments. These conditions occurred because of programing errors and include:

- 1,294,928 monthly advance Child Tax Credit payments that were not made to eligible taxpayers in July 2021 totaling $503,717,938.
- 632,505 monthly advance Child Tax Credit payments that were not made to eligible taxpayers in August 2021 totaling $224,076,175.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; 11,459 payments totaling $4,176,294 for 11,216 taxpayers that were erroneously sent to 523 bank accounts (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

We obtained the Listing of Advance Child Tax Credit payments between July and November 2021. This listing included payments made electronically and via paper check with the bank routing and account information for electronic payments.

In July and August 2021, we analyzed the bank routing and account information for advance Child Tax Credit electronic payments the IRS made to taxpayers and counted the number of payments the IRS sent to each bank account. IRS internal guidelines state that if more than three taxpayers use the same bank account, the advance Child Tax Credit payments will be issued as a paper check beginning with the fourth taxpayer to use the account. This is done to protect against undetected identity theft.

After counting the payments made to each bank account each month, we identified 523 bank accounts that received advance Child Tax Credits for more than three taxpayers within a single month. In total, the IRS erroneously sent 11,459 payments totaling $4,176,294 to these 523 bank accounts.
Type and Value of Outcome Measure:

- Reliability of Information – Actual; 1,610 taxpayers received 5,468 advance Child Tax Credit payments of $1.8 million to payroll allotment accounts (see Recommendation 5).

Methodology Used to Measure the Reported Benefit:

Our research, in conjunction with bank account update information received from the Return Integrity and Compliance Services function, identified 2,217,941 taxpayers who had their direct deposit information updated by the IRS between August 23, 2021, and October 5, 2021. The IRS advised that 5,468 of the advance Child Tax Credit payments, totaling $1.8 million, were made to 1,610 different payroll allotment accounts.
Example of Letter 6416, *Advance Child Tax Credit Outreach*

[Recipient name]
[Address line 1]
[Address line 2]
[Address line 3]

You may be eligible to receive advance payments of the Child Tax Credit (CTC). If you're eligible for advance CTC payments and want to receive these payments, you don't need to take any action. You will receive a letter with more details.

The American Rescue Plan, signed into law in March, made important changes to the CTC for most taxpayers in 2021. The credit amounts increased for many taxpayers, and the credit is fully refundable, which means taxpayers can benefit from the credit even if they don't owe any income taxes. The credit also includes qualifying children who turn age 17 in 2021. The American Rescue Plan directs the IRS to make advance monthly payments of half the estimated annual CTC. The IRS will make payments from July through the end of this year.

For tax year 2021, the advance CTC payments will be half of the estimated CTC. The maximum annual CTC will be $3,000 per qualifying child between the ages of 6 and 17, and $3,600 per qualifying child under age 6, at the end of 2021. In general, qualifying children must live with the taxpayer in the United States for more than half the year.

The maximum credit is available to taxpayers with a modified Adjusted Gross Income of:

- $75,000 or less for single taxpayers,
- $112,500 or less for head of household,
- $150,000 or less for married couples filing a joint return and qualifying widow(er)s and
- the maximum credit phases out for higher income taxpayers.

**If you don’t wish** to receive advance CTC payments, instructions on how to unenroll from these payments will be available by the end of June. Please continue to check [www.irs.gov/childtaxcredit2021](http://www.irs.gov/childtaxcredit2021) for additional information about these advance CTC payments.

*Source: IRS Letter 6416.*
Appendix IV

Example of Letter 6417, Advance Child Tax Credit Payment

THE WHITE HOUSE
WASHINGTON

DATE:

My fellow American,

On March 11, 2021, I signed into law the American Rescue Plan—a comprehensive strategy that is helping the nation put an end to the public health and economic challenges of the pandemic, including $1,400 rescue direct payments sent to most Americans by early April.

Today I am writing to tell you about another important economic benefit of the American Rescue Plan: an expanded child tax credit that will provide needed tax relief to almost all working families with children in our nation. For 2021, most families with kids will get a tax relief payment of up to $3,000 for each child between 6 and 17 years old and up to $3,600 for every child under 6 years old.

And there is more. While usually tax relief is not available until you file your taxes the next year—we are paying half of your expected child tax credit in advance, so you can receive it this year. Starting in July, you will get up to $300 a month for every child between 6 and 17 years old and up to $300 for every child under 6 years old.

I want to stress: if you have filed your taxes in 2020 or 2019, you will get your child tax relief payments automatically. You do not need to take any new actions.

If you use direct deposit to get tax refunds from the Internal Revenue Service (IRS), you will get this child tax relief payment on the 15th of every month, starting on July 15th.

Based on their records, the IRS estimates that your monthly payments will be provided by direct deposit or paper check beginning in July.

If you have questions or would like to learn more about your child tax credit, you can visit childtaxcredit.gov.

When I took office, I promised the American people that help was on the way. This child tax relief payment is one more way the American Rescue Plan makes good on that promise. Our economy is on the mend and I believe brighter days are ahead.

I truly believe there is nothing we can’t do as a nation, as long as we do it together.

Presidential Signature

Joseph R. Biden Jr.

Source: IRS Letter 6417.
**Appendix V**

**Management’s Response to the Draft Report**

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

September 8, 2022

MEMORANDUM FOR HEATHER M. HILL  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments  
(Audit # 202140727)

Thank you for the opportunity to review and provide comments on the subject draft report. The American Rescue Plan Act of 2021 (ARPA)\(^1\) was enacted on March 11, 2021, and implemented significant changes to the Child Tax Credit (CTC) for the 2021 tax year. Notably, the changes increased the amount of the credit from $2,000 per qualifying child to $3,000 or, for a qualifying child under the age of six years, $3,600; expanded the definition of “qualifying child” to include those seventeen years of age; made the credit fully refundable for taxpayers with a principal place of abode in the United States; and provided for the advance payment of one-half of the estimated CTC allowable for the year. The advance payments were to be made periodically between July 1, 2021, and December 31, 2021. At the time of the ARPA’s enactment, the 2021 filing season was well underway. In addition to the provision for issuing advance payments of the CTC, it also called for the IRS to issue a third round of economic impact payments (EIPs). We marshalled resources to continue the execution of the filing season while also developing and implementing programming and processes to issue both the EIPs and the advance CTC payments. We began issuing advance CTC payments on July 15, 2021, and continued monthly through December 15, 2021.

As highlighted in the report, advance CTC payments were issued with an accuracy rate of 98 percent and Letter 6419, *Reconciliation Statement*, which reported to individuals the total amount of the advance payments issued to them, had an accuracy rate of 99 percent. Achieving this level of accuracy within the limited timeframe provided required a significant amount of collaboration among several agencies within the Department of Treasury. In addition to receiving regular feedback from Treasury, we worked with the

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\(^1\) Pub. L. 117-2.
Bureau of the Fiscal Service (BFS) to identify bank account information for taxpayers who had not previously requested direct deposit of a federal income tax refund, allowing the IRS to convert paper checks to electronic deposits and more quickly deliver payments to taxpayers. This close coordination with the BFS resulted in a 99 percent accuracy rate for delivering direct deposit payments to more than two million bank accounts. We created and issued two additional outreach letters for the CTC. Letter 6416, Advance Child Tax Credit Outreach, informed individuals of potential eligibility for the advance payments and Letter 6417, Advance Child Tax Credit Payment, provided notification of the advance payments as they were issued. These letters supplemented the CTC content posted on IRS.gov and information available via the CTC-dedicated telephone line or through face-to-face assistance. We also worked closely with the Treasury Inspector General for Tax Administration audit staff, who provided near real-time analysis and issue identification at frequent and regular intervals. We appreciate the assistance they provided.

These achievements were accomplished while the IRS was addressing challenges associated with the Coronavirus-19 pandemic on in-person processes and while implementing retroactive legislation that affected tax year 2020 returns after the filing season was underway. Within the span of nine months, we:

- Updated our processing systems for retroactive changes affecting unemployment compensation and repayment of the advance premium tax credit.
- Updated forms, publications, instructions, letters and notices affected by these changes.
- Issued more than 200 million advance CTC payments totaling over $93 billion and impacting nearly 61 million children.
- Mailed more than 129 million letters to taxpayers.
- Created a new Advance CTC page on IRS.gov that received over 60 million visits and served as a one-stop shop for information and resources (e.g., Frequently Asked Questions, step-by-step guides, videos, guidance).
- Opened a dedicated telephone line for the CTC that received over 4.6 million calls.
- Conducted 550,000 face-to-face visits at Taxpayer Assistance Centers.
- Held in-person outreach events in 28 cities.
- Developed and released the online Child Tax Credit Update Portal, with additional functionality introduced in five releases through the end of 2021.
- Developed two additional online tools: the Eligibility Assistant and the Non-Filer Sign Up Tool.

Our responses to your recommendations are attached. If you have questions, please contact me, or a member of your staff may contact Mike Beebe, Director, Return Integrity and Compliance Services, at 470-639-3250.

Attachment
American Rescue Plan Act: Accuracy of
Advance Child Tax Credit Periodic Payments

Recommendations

RECOMMENDATION 1 (E-Mail Alert):
As detailed previously, we provided the Director, Return Integrity and Compliance Services, Wage and Investment Division, with notifications and files detailing erroneous payments we identified and recommended that the IRS evaluate the discrepancies to identify why the payments were made to prevent additional periodic payments to ineligible taxpayers. In addition, we recommended that the IRS add a stop payment transaction code to taxpayer accounts to prevent them from receiving additional improper advance Child Tax Credit payments.

CORRECTIVE ACTION
On October 6, 2021, we posted transaction codes on the impacted accounts to block additional payments from being made to those taxpayers determined to be ineligible. A public announcement was posted to IRS.gov, notifying the public of the actions taken.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Refundable Credit Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A.

RECOMMENDATION 2 (E-Mail Alert):
On August 9, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, of our concerns related to eligible taxpayers who did not receive their advance Child Tax Credit payments. We recommended that the IRS evaluate the discrepancies to identify why periodic payments were not made to eligible taxpayers.

CORRECTIVE ACTION
We corrected the errors causing certain taxpayers to be erroneously excluded from receiving a periodic payment. In August 2021, we issued 1,294,926 recovery payments totaling more than $503.7 million and in September 2021, another 632,505 recovery payments totaling $224.1 million were issued to impacted taxpayers. These taxpayers then continued to receive the appropriate monthly payment amounts unless they subsequently became ineligible. A team was established to continue tracking and addressing advance payment issues in the event subsequent legislation would have extended the advance payments beyond 2021.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Refundable Credit Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A.

RECOMMENDATION 3 (E-Mail Alert):
On June 29, 2021, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that the messaging provided on the IRS’s eligibility assistant tool and the presentation of information related to the advance Child Tax Credit payments on IRS.gov may be confusing to taxpayers. For example, the link to "Get Answers on the Advance Child Tax Credit" that is located on the IRS.gov main page takes taxpayers to the Advance Child Tax Credit Payments in 2021 web page; however, the links to get the questions and answers is at the bottom of the screen. We recommended that the IRS consider revising the messaging and presentation of information on its platforms to make it clear for taxpayers.

CORRECTIVE ACTION
We updated and/or modified links to the “Advance Child Tax Credit Payments in 2021” page and the main landing page of IRS.gov. Messaging provided on the eligibility assistant tool was revised on July 9, 2021.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Refundable Credit Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A.

RECOMMENDATION 4 (E-Mail Alert):
On January 28, 2022, we notified the Director, Return Integrity and Compliance Services, Wage and Investment Division, that we identified 2.2 million taxpayers who had their direct deposit information updated by the IRS between August 23 and October 5, 2021. We recommended that the IRS conduct an outreach effort to inform taxpayers of the possibility that their advance payments may have been sent to other non-checking/non-savings accounts the taxpayers may own. This outreach effort could include sending a separate letter to the impacted taxpayers.
CORRECTIVE ACTION
Those taxpayers whose advance Child Tax Credit payments were made to a payroll allocation account will receive an outreach notice from the Bureau of the Fiscal Service (BFS). BFS will support a toll-free operation to assist taxpayers with identifying the accounts to which advance Child Tax Credit payments were made.

IMPLEMENTATION DATE
February 15, 2023

RESPONSIBLE OFFICIAL
Director, Return Integrity Verification Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 5:
The Director, Return Integrity and Compliance Services, Wage and Investment Division, should develop and implement processes and procedures to include data validation on incoming files from third-party sources prior to their use.

CORRECTIVE ACTION
We will implement processes and procedures to complete data validation prior to using files received from third-party sources.

IMPLEMENTATION DATE
December 15, 2022

RESPONSIBLE OFFICIAL
Director, Return Integrity Verification Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.
### Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<td>ARPA</td>
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<td>Bureau of the Fiscal Service</td>
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<td>Internal Revenue Service</td>
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<td>TIGTA</td>
<td>Treasury Inspector General for Tax Administration</td>
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To report fraud, waste, or abuse, call our toll-free hotline at:

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.