

Appendix Figure 1. Example of CP-75 Notice



Department of Treasury
Internal Revenue Service
5333 Getwell Road Stop 822
Memphis, TN 37501-0111

Notice	CP75
Tax year	2016
Notice date	October 15, 2017
Social Security number	999-99-9999
Your Caller ID	999999
To contact us	Phone 1-866-897-0161

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s01899954671s

ERIC D. JOHNSON
123 N HARRIS ST
HARVARD TX 12345

We're auditing your 2016 Form 1040

Supporting documentation requested

We need you to send us information to support items you claimed on your tax return.

We are holding the Earned Income Credit (EIC), and/or the Additional Child Tax Credit (ACTC) portion(s) of your refund pending the results of the audit. If you claimed the Premium Tax Credit (PTC), we may also hold all or a part of your refund due to a discrepancy with your PTC.

Be sure to respond within 30 days from the date of this notice or we'll disallow the items being audited, and you may owe additional tax.

What you need to do immediately

- Review the list of items we're auditing and provide copies of documentation to verify what you claimed on your tax return. See the enclosed forms for complete instructions for what you need to send.
- Complete the Response form at the end of this notice, and mail or fax it to us along with any documentation within 30 days from the date of this notice.
- If you can't get your documentation ready in time, call us at 1-866-897-0161 to discuss your options.

Items that require supporting documentation

To qualify for:

Premium Tax Credit

Form 1040

The list below summarizes the items that require supporting documentation. For complete instructions on what to send, see the enclosed forms.

You should:

- Review the enclosed Form 14950, Premium Tax Credit Verification
- Submit documentation to verify what you claimed on your return.

Appendix Figure 2. Example of CP-79 Notice



Department of the Treasury
Internal Revenue Service
PO Box 149342
Austin, TX 78714-9342

ERIC D. JOHNSON
123 N HARRIS ST
HARVARD, TX 12345

Notice	CP79
Tax year	2016
Notice date	January 26, 2017
Social security number	Nnn-nn-nnnn
To contact us	Phone: nnn-xxx-xxxx
Your caller ID	

Page 1 of 1

We denied one or more of the credits claimed on your tax return

We recently denied the following credits you claimed on your 2016 income tax return:

- Earned Income Tax Credit (EIC)
- American Opportunity Tax Credit (AOTC)
- Child Tax Credit or Additional Child Tax Credit (CTC or ACTC)

As a result, the next time you claim the credits listed above, you must complete and attach Form 8862, Information To Claim Earned Income Credit, Child Tax Credit, Additional Child Tax Credit or American Opportunity Tax Credit After Disallowance, to your tax return.

Claiming the credits on future returns

What you need to do

- You don't need to take any action at this time.
- If you claim these credits in the future, make sure you meet all the qualifying rules to get every credit for which you're eligible.
- Keep a copy of this notice for your records.

In the future, if you claim the credits you must submit Form 8862 with your tax return. You will not receive the credits until we receive your Form 8862.

After we receive your Form 8862, we'll review your tax return. We may send you an audit letter asking for additional information to confirm you're eligible for the credits.

If we audit your return and deny the credits, we could impose a two-year ban on your claiming the credits if we find you recklessly or intentionally disregarded the rules. We could impose a ten-year ban if we find you fraudulently claimed the credits.

Additional information

- Visit www.irs.gov/cp79
- For tax forms or publications, visit www.irs.gov/formspubs or call 1-800-TAX-FORM (1-800-829-3676).
- The following publications may be helpful:
 - Publication 596, Earned Income Credit (EIC),
 - Publication 972, Child Tax Credit
 - Publication 970, Tax Benefits for Education

Appendix Figure 3. Example of Form 8862

Form **8862**
(Rev. December 2012)
Department of the Treasury
Internal Revenue Service
Name(s) shown on return

Information To Claim Earned Income Credit After Disallowance

▶ Attach to your tax return.
▶ Information about Form 8862 and its instructions is at www.irs.gov/form8862.

OMB No. 1545-0074

Attachment
Sequence No. **43A**

Your social security number

- Before you begin:**
- ✓ See your tax return instructions or **Pub. 596, Earned Income Credit (EIC)**, for the year for which you are filing this form to make sure you can take the earned income credit (EIC) **and** to find out who is a qualifying child.
 - ✓ If you have a qualifying child, complete **Schedule EIC** before you fill in this form.
 - ✓ **Do not file this form if you are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the earlier year was because it was determined that a child listed on Schedule EIC was not your qualifying child.**

Part I All Filers

- 1 Enter the year for which you are filing this form (for example, 2012) ▶
- 2 If the **only** reason your EIC was reduced or disallowed in the earlier year was because you incorrectly reported your earned income or investment income, check "Yes." Otherwise, check "No" ▶ Yes No
Caution. If you checked "Yes," stop. Do not fill in the rest of this form. But you must attach it to your tax return to take the EIC. If you checked "No," continue.
- 3 Could you (or your spouse if filing jointly) be claimed as a qualifying child of another taxpayer for the year shown on line 1? See the instructions before answering ▶ Yes No
Caution. If you checked "Yes," stop. You cannot take the EIC. If you checked "No," continue.

Part II Filers With a Qualifying Child or Children

Note. Child 1, Child 2, and Child 3 are the same children you listed as Child 1, Child 2, and Child 3 on Schedule EIC for the year shown on line 1 above.

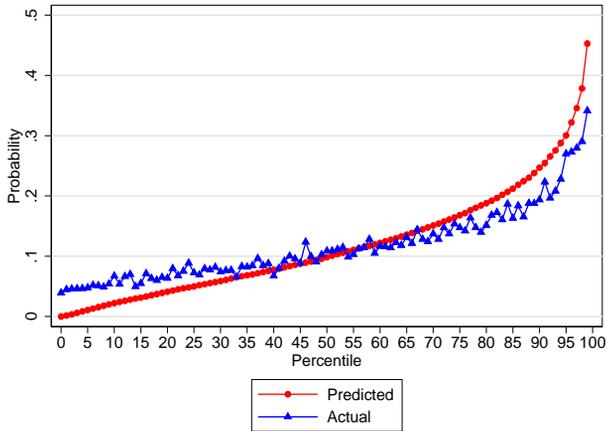
- 4 Enter the number of days each child lived with you in the United States during the year shown on line 1 above:
 - a Child 1 ▶ b Child 2 ▶ c Child 3 ▶

Caution. If you entered less than 183 (184 if the year on line 1 is a leap year) for any child, you cannot take the EIC based on that child, unless the special rule for a child who was born or died during the year shown on line 1 applies. See the instructions.
- 5 If your child was born or died during the year shown on line 1, enter the month and day the child was born and/or died. Otherwise, skip this line.
 - a Child 1 ▶ (1) Month and day of birth (MM/DD) ▶ / (2) Month and day of death (MM/DD) ▶ /
 - b Child 2 ▶ (1) Month and day of birth (MM/DD) ▶ / (2) Month and day of death (MM/DD) ▶ /
 - c Child 3 ▶ (1) Month and day of birth (MM/DD) ▶ / (2) Month and day of death (MM/DD) ▶ /
- 6 Enter the address where you and the child lived together during the year shown on line 1. If you lived with the child at more than one address during the year, attach a list of the addresses where you lived:
 - a Child 1 ▶ Number and street _____
City or town, state, and ZIP code _____
 - b Child 2 ▶ If same as shown for child 1, check this box. ▶ Otherwise, enter below:
Number and street _____
City or town, state, and ZIP code _____
 - c Child 3 ▶ If same as shown for child 1, check this box. ▶ Or if same as shown for child 2 (and this is different from address shown for child 1), check this box. ▶ Otherwise, enter below:
Number and street _____
City or town, state, and ZIP code _____
- 7 Did any other person (except your spouse, if filing jointly, and your dependents under age 19) live with child 1, child 2, or child 3 for more than half the year shown on line 1? ▶ Yes No
If "Yes," enter that person's name and relationship to the child below. If more than one other person lived with the child for more than half the year, attach a list of each person's name and relationship to the child:
 - a Other person living with child 1: Name _____
Relationship to child 1 _____
 - b Other person living with child 2: If same as shown for child 1, check this box. ▶ Otherwise, enter below:
Name _____
Relationship to child 2 _____
 - c Other person living with child 3: If same as shown for child 1, check this box. ▶ Or if same as shown for child 2 (and this is different from the person living with child 1), check this box. ▶
Otherwise, enter below:
Name _____
Relationship to child 3 _____

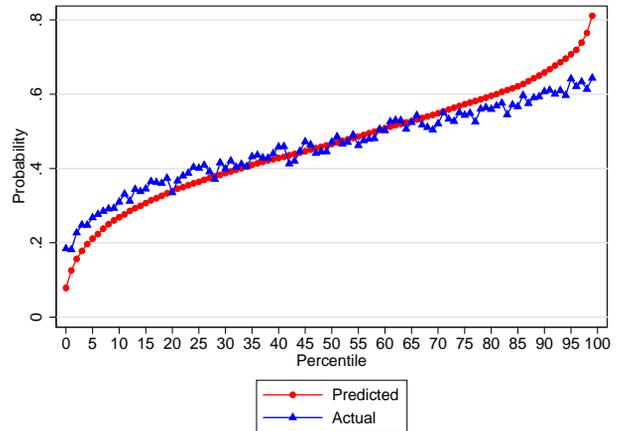
Caution. The IRS may ask you to provide additional information to verify your eligibility to claim the EIC.

Appendix Figure 4. Actual and Predicted Audit Results by Percentiles of Predicted Audit Results, Self-Employed

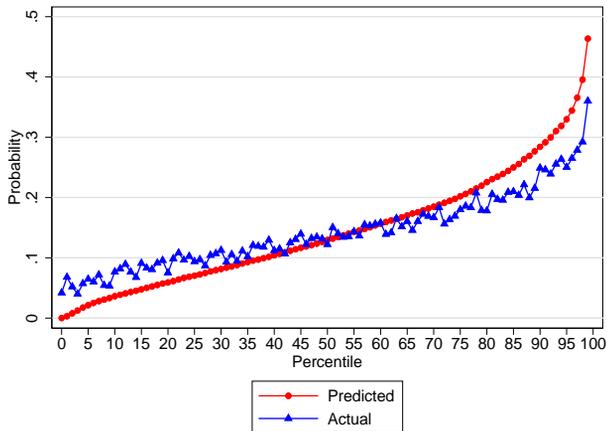
A. Audit Result = Undelivered



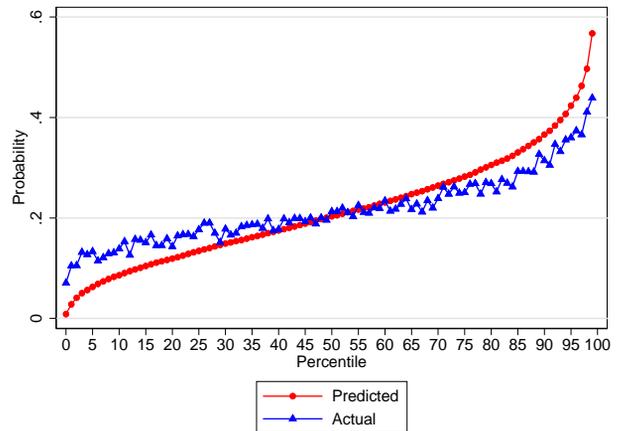
B. Audit Result = Nonresponse



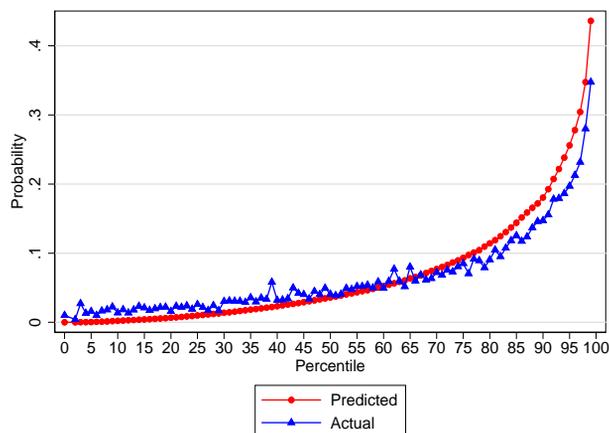
C. Audit Result = Disallowed with Active Agreement



D. Audit Result = Disallowed with Disagreement



E. Audit Result = Allowed

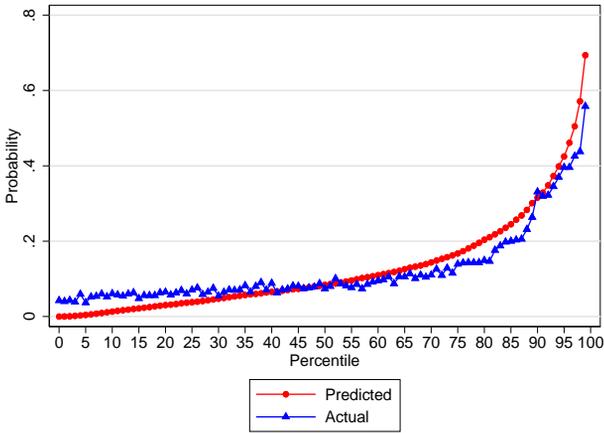


Notes: For each plot, we group observations based on percentile bins of estimated probabilities of each audit result. Within each bin, we compute the average estimated probability of the audit result and the fraction with the specified audit result.

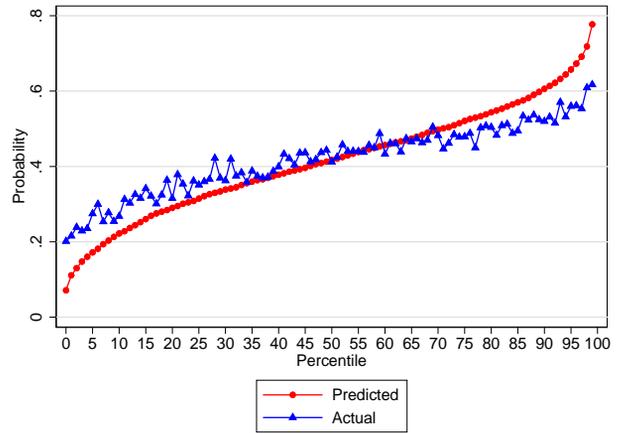
Appendix Figure 5.

Actual and Predicted Audit Results by Percentile of Predicted Audit Results, Wage Earners

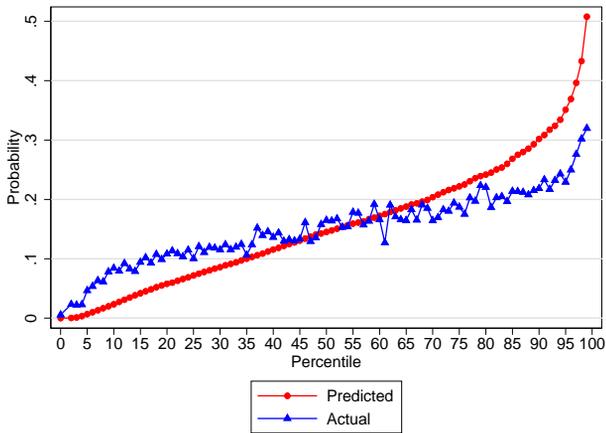
A. Audit Result = Undelivered



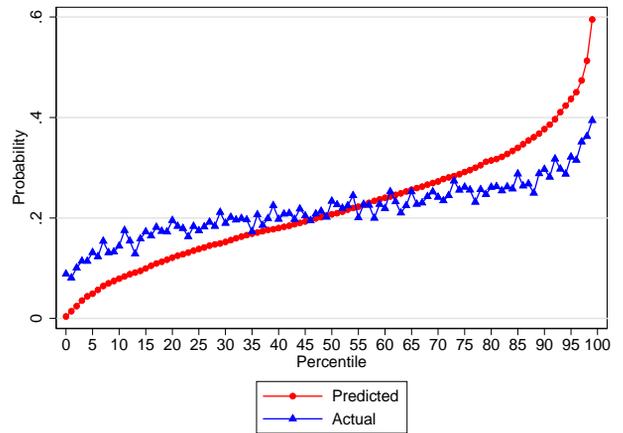
B. Audit Result = Nonresponse



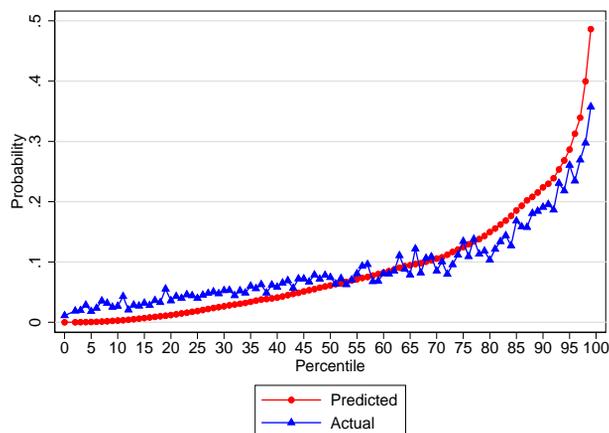
C. Audit Result = Disallowed with Active Agreement



D. Audit Result = Disallowed with Disagreement



E. Audit Result = Allowed

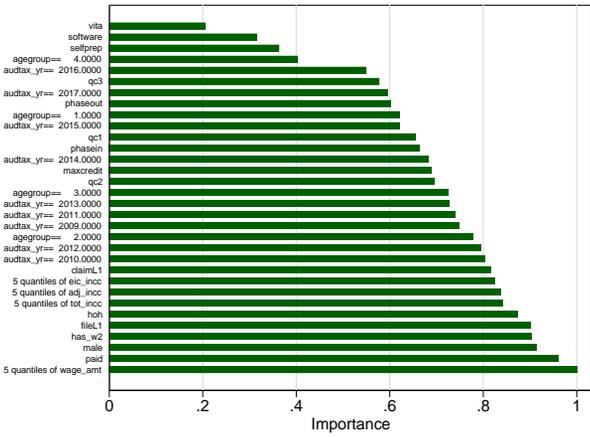


Notes: For each plot, we group observations based on percentile bins of estimated probabilities of each audit result. Within each bin, we compute the average estimated probability of the audit result and the fraction with the specified audit result.

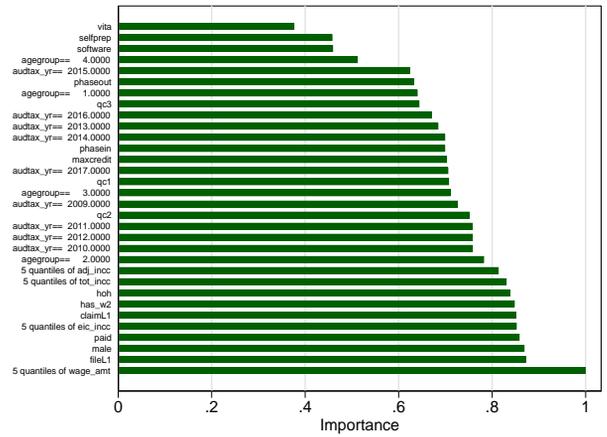
Appendix Figure 6.

Importance Factors for Predicting Audit Outcomes, Self-Employed

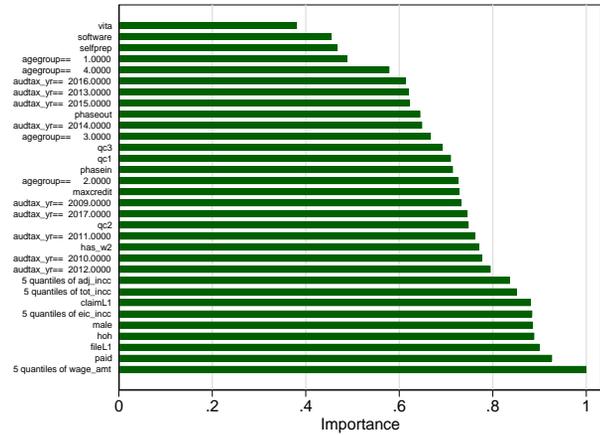
A. Audit Result = Undelivered



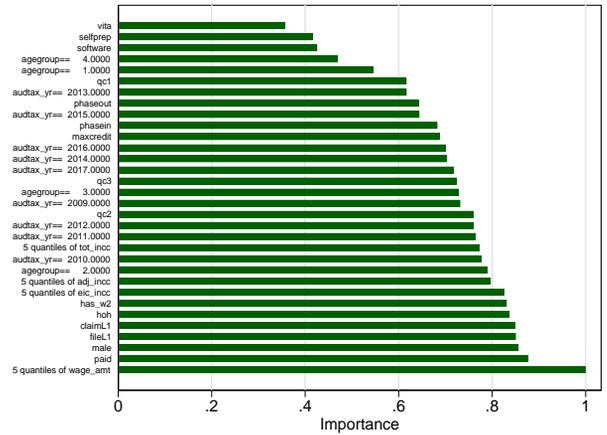
B. Audit Result = Nonresponse



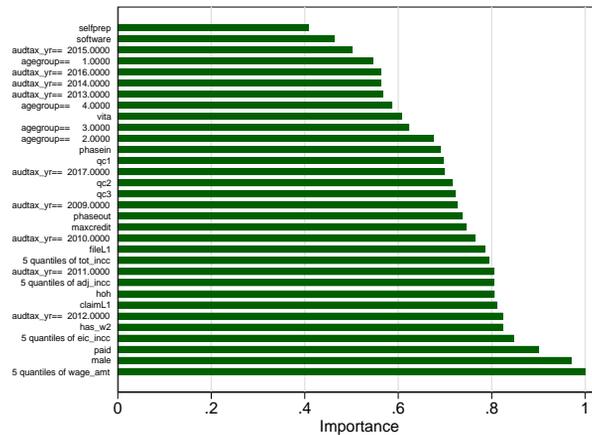
C. Audit Result = Disallowed with Active Agreement



D. Audit Result = Disallowed with Disagreement



E. Audit Result = Allowed

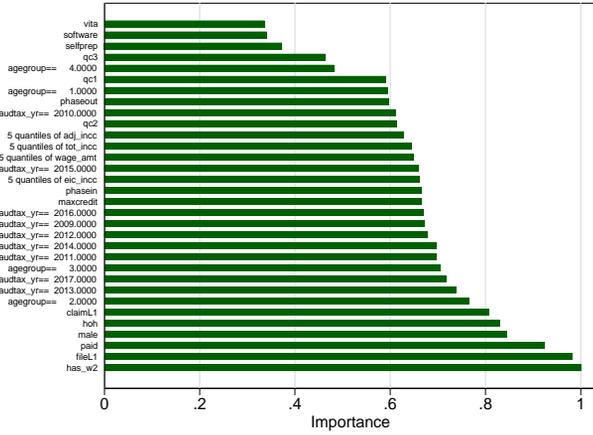


Notes: Importance values are computed based on using random forests to predict the specified audit outcome.

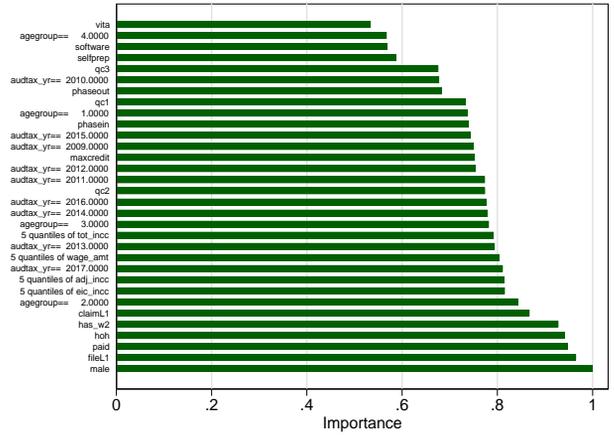
Appendix Figure 7.

Importance Factors for Predicting Audit Outcomes, Wage Earners

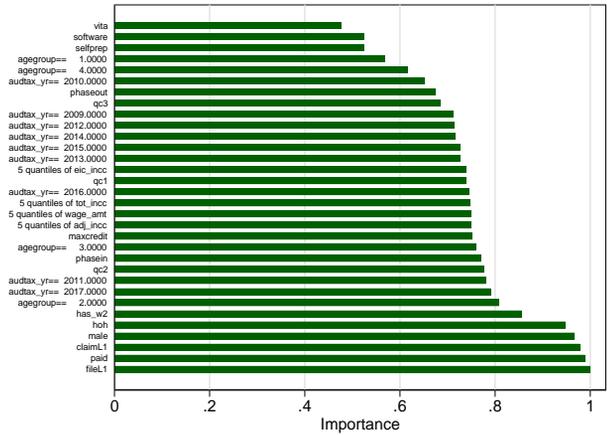
A. Audit Result = Undelivered



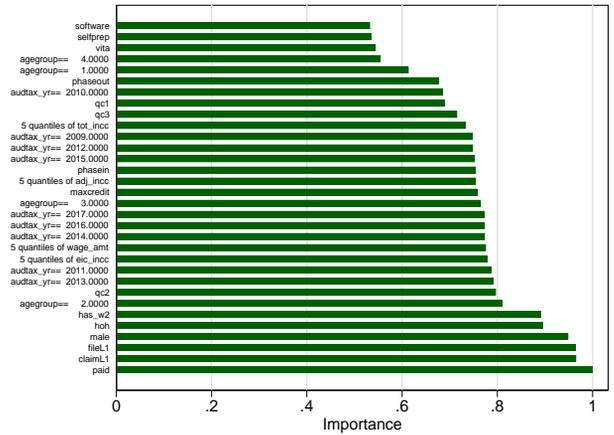
B. Audit Result = Nonresponse



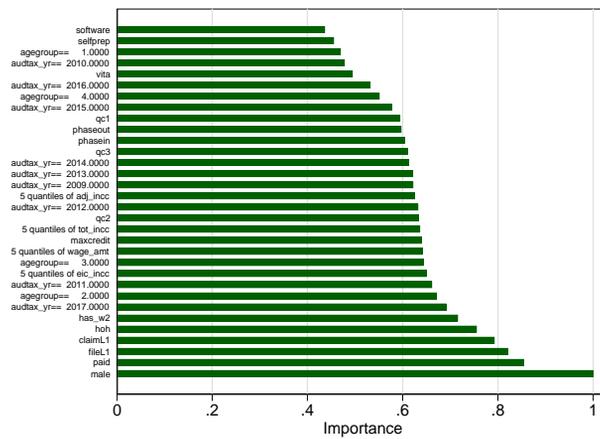
C. Audit Result = Disallowed with Active Agreement



D. Audit Result = Disallowed with Disagreement



E. Audit Result = Allowed

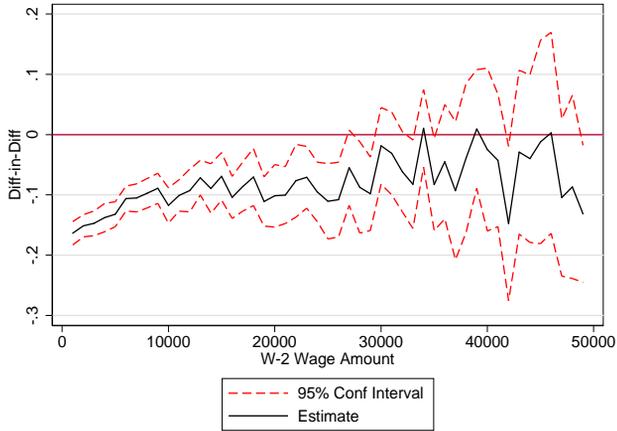


Notes: Importance values are computed based on using random forests to predict the specified audit outcome.

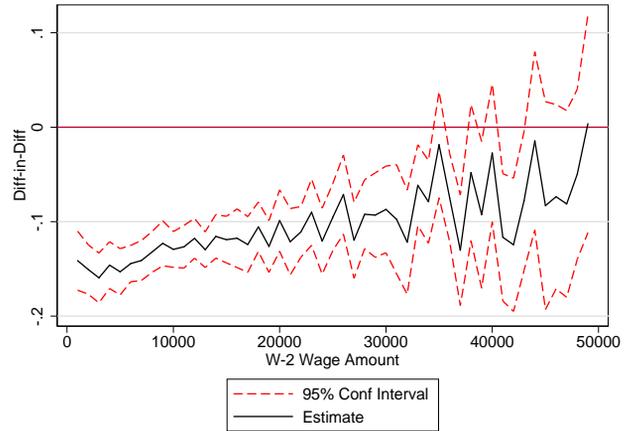
Appendix Figure 8.

Diff-in-Diff Estimates with 95% Confidence Intervals

A. Filing Conditional on Having W-2 with Specified Wage Amounts, Self-Employed



B. Filing Conditional on Having W-2 with Specified Wage Amounts, Wage Earners

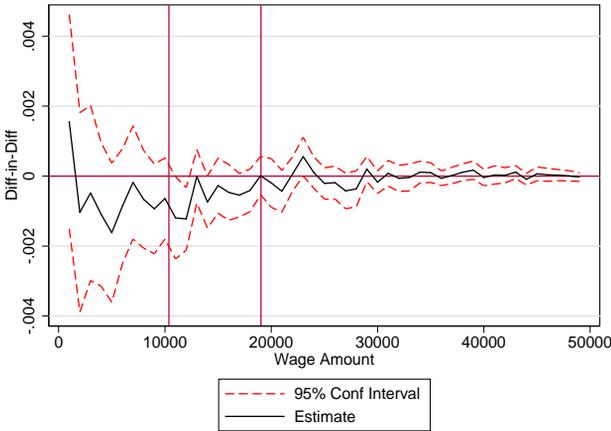


Notes: The distributional estimates are based on using observations in years 1 through 4 before and after the year of audit selection. Using this sample, for each outcome variable, we create indicator variables for values in specified bins and regress the indicator variables on a constant, an indicator for being in the audited sample, a "Post" indicator for being in the years after selection, and interaction between the audited and Post indicators. Standard errors are clustered based on 50 percentile bins of audit selection probabilities and the year of audit selection. The diff-in-diff estimate refers to the coefficient on the interaction term.

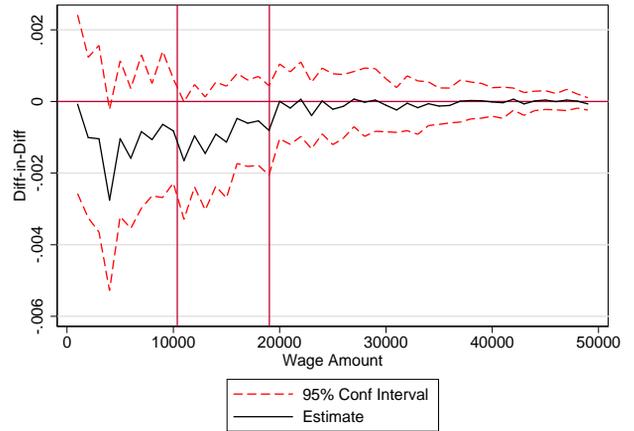
Appendix Figure 9.

Effects of EITC Correspondence Audits on Wage Distributions, Diff-in-Diff Estimates with 95% Confidence Intervals

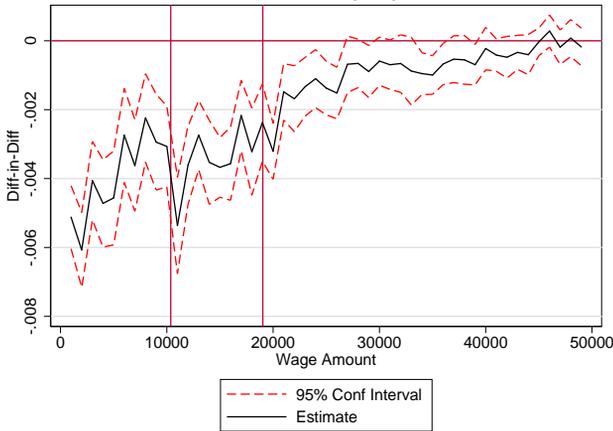
A. Distribution of W-2 Earnings, Self-Employed



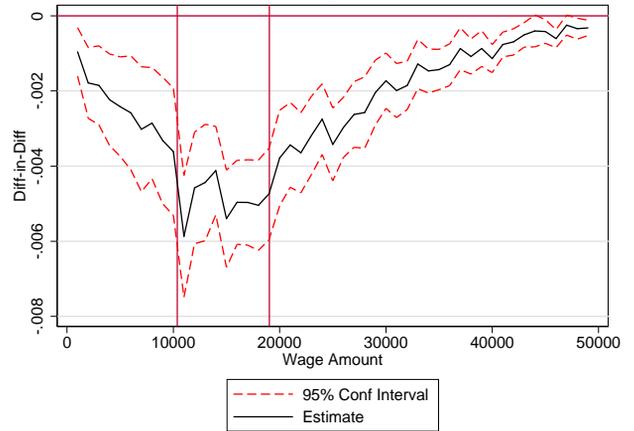
B. Distribution of W-2, Wage Earners



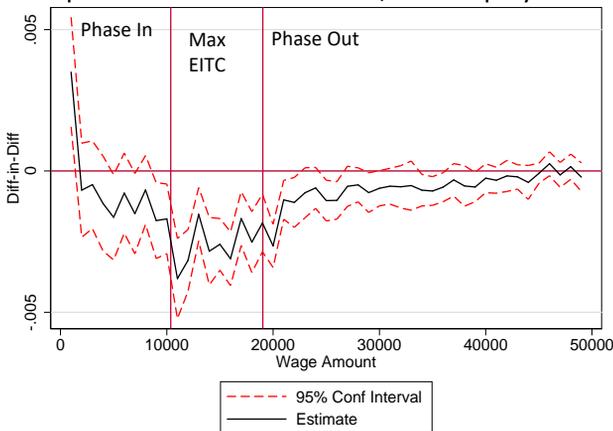
C. Distribution of Wages Reported on Filed Tax Return, Self-Employed



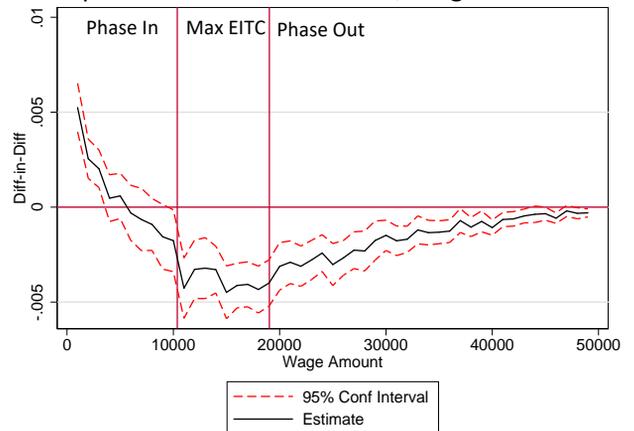
D. Distribution of Wages Reported on Filed Tax Return, Wage Earners



E. Distribution of (Max) W-2 Wages or Wages Reported on Filed Tax Return, Self-Employed



F. Distribution of (Max) W-2 Wages or Wages Reported on Filed Tax Return, Wage Earners



Notes: The distributional estimates are based on using observations in years 1 through 4 before and after the year of audit selection. Using this sample, for each outcome variable, we create indicator variables for values in specified bins and regress the indicator variables on a constant, an indicator for being in the audited sample, a "Post" indicator for being in the years after selection, and interaction between the audited and Post indicators. Standard errors are clustered based on 50 percentile bins of audit selection probabilities and the year of audit selection. The diff-in-diff estimate refers to the coefficient on the interaction term. Vertical red lines depict 2019 values for EITC Kink 1 (the minimum earned income amount necessary for maximum EITC benefits) and EITC Kink 2 (the maximum earned income amount for maximum EITC benefits) for Head-of-Household 1 qualifying child.