

Tax preparer Due Diligence Checklist

The tax preparer will interview the taxpayer to determine the eligibility to claim the CTC/ACTC, the AOTC and EITC. The tax preparer will document with notes and make copies of documents used in the interview. If documentation is not provided at the time of the interview then the taxpayer will be asked if documentation could be provided to substantiate the claim.

Child Tax Credit (CTC) and Additional Child Tax Credit (ACTC) To qualify for the CTC, a qualifying child must be your dependent and under the age of 17 at the end of the tax year.

American Opportunity Credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student. If the credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount of the credit (up to \$1,000) refunded to you. Qualified education expenses are amounts paid for tuition, fees and other related expenses for an eligible student. Expenses for books, supplies and equipment the student needs for a course of study are included in qualified education expenses even if it is not paid to the school. Expenses that Do Not Qualify: room and board, insurance, medical expenses (including student health fees), transportation, similar personal, living or family expenses. You will receive a Form 1098-T, Tuition Statement, from the school.

To be eligible for AOTC, the student must:

1. Be pursuing a degree or other recognized education credential
2. Be enrolled at least half time for at least one academic period* beginning in the tax year
3. Not have finished the first four years of higher education at the beginning of the tax year
4. Not have claimed the AOTC or the former Hope credit for more than four tax years
5. Not have a felony drug conviction at the end of the tax year

The **Earned Income Tax Credit (EITC)** is a federal income tax credit for workers who don't earn a high income (\$53,505 or less for 2016) and meet certain eligibility requirements. Because it's a refundable credit, those who qualify and claim the credit could pay less federal tax, pay no tax or even get a tax refund. The EITC could put an extra \$2 or up to \$6,269 into a taxpayer's pocket.

RULE 1: Earned income amount. You may be able to take the credit if:

You have three or more qualifying children and you earned less than \$47,955 (\$53,505 if married filing jointly),
You have two qualifying children and you earned less than \$44,648 (\$50,198 if married filing jointly),
You have one qualifying child and you earned less than \$39,296 (\$44,846 if married filing jointly), or
You don't have a qualifying child and you earned less than \$14,880 (\$20,430 if married filing jointly).

RULE 2: You must have a valid Social Security Number.

RULE 3: Your Filing Status cannot be "Married Filing Separate"

RULE 4: You must be a US Citizen or Resident Alien all year.

RULE 5: You cannot file Form 2555 or Form 2555-EZ – Foreign Earned Income

RULE 6: Your investment income must be \$3,400 or less

RULE 7: You must have earned income. Earned income includes all of the following types of income.

1. Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, isn't earned income. But there is an exception for nontaxable combat pay, which you can choose to include in earned income.
2. Net earnings from self-employment.

3. Gross income received as a statutory employee.
4. If you retired on disability, taxable benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled.

RULE 8: Your child must meet the Relationship, Age, Residency, and Joint Return Tests

1. **Relationship Test** To be your qualifying child, a child must be your: Son, daughter, stepchild, foster child, or a descendant of any of them (for example, your grandchild), or Brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew).
2. **Age Test** Your child must be:
 - A. Under age 19 at the end of 2016 and younger than you (or your spouse, if filing jointly),
 - B. Under age 24 at the end of 2016, a student, and younger than you (or your spouse, if filing jointly), or
 - C. Permanently and totally disabled at any time during 2016, regardless of age.
3. **Residency Test** Your child must have lived with you in the US for more than half of the year.
4. **Joint Return Test** To meet this test the child cannot file a joint return for the year.

RULE 9: Your qualifying child cannot be used by more than one person to claim the EIC.

Tiebreaker rules. To determine which person can treat the child as a qualifying child.

1. If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
2. If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.
3. If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.
4. If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest adjusted gross income (AGI) for the year.
5. If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by treating the parents' total AGI as divided evenly between them.

RULE 10: You cannot be a qualifying child of another taxpayer.

RULE 11: You must be at least Age 25 but under Age 65.

RULE 12: You cannot be the dependent of another person.

RULE 13: You must have lived in the US more than half of the year.

If documentation has not been provided during the interview, could the taxpayer provide documentation to substantiate eligibility for the amount of the credits claimed on the tax return?

Yes, I can provide documentation _____ No, I do not have copies of any paperwork _____

Has the IRS ever reduced or disallowed the credit in the past? YES _____ NO _____ Unknown _____

Do you have an active Form 8332, Release/Revocation of Claim to Exemption for Child by Custodial Parent or similar statement. Yes I have a copy _____ No I do not have a Form 8332 _____ I do not have children _____

Taxpayer Signature _____ **Date** _____

Spouse Signature _____ **Date** _____