



IRS Nationwide
2007
Tax
FORUM
Partners in Tax
Administration

EITC

Getting it Right





We've got a lot to cover...

- Due Diligence Requirements
- Eligibility Requirements
- Who is a Qualifying Child?
- Online Tools

Due diligence requirements

Checklist Completion



1

Credit Computation



2

Knowledge of Correct Taxpayer Information



3

Record Retention



4

Form 8867 – It is not just a check mark

8867 Paid Preparer's Earned Income Credit Checklist

OMB No. 1545-0046

For the definitions of the following terms, see **Pub. 980** for the year for which you are completing this form.
 a. **Form-based taxpayer** b. **Qualifying Child** c. **Eligible taxpayer**

A. Taxpayer's name is _____

B. (If joint return, preparer's name is) _____

Part I – All Taxpayers

1. For what 2007 year are you completing this form? _____

2. Is the taxpayer filing a joint return (if separate)? Yes No
 If you checked "Yes" on line 2, skip the taxpayer search; take the EIC. Otherwise, continue.

3. Does the taxpayer (and the taxpayer's spouse if filing jointly) have a social security number (SSN) that allows him or her to work or be paid for EIC purposes? See the instructions before answering. Yes No
 If you checked "No" on line 3, skip the taxpayer search; take the EIC. Otherwise, continue.

4. Is the taxpayer filing Form 2888 or Form 2888-02 (relating to the resolution of foreign earned income)? Yes No
 If you checked "Yes" on line 4, skip the taxpayer search; take the EIC. Otherwise, continue.

5a. Was the taxpayer a covered individual for any part of the year on line 3? Yes No
 If you checked "Yes" on line 5a, go to line 6b. Otherwise, skip line 5a and go to line 6.

6. Is the taxpayer's filing status married (filing jointly)? Yes No
 If you checked "Yes" on line 6a and "Yes" on line 6b, skip the taxpayer search; take the EIC. Otherwise, continue.

6. Is the taxpayer's **unremitted income** more than the limit that applies to the year on line 3? See Pub. 980 for the limit. Yes No
 If you checked "Yes" on line 6, skip the taxpayer search; take the EIC. Otherwise, continue.

7. Could the taxpayer, or the taxpayer's spouse if filing jointly, be a **qualifying child** of another person for the year on line 3? Yes No
 If you checked "Yes" on line 7, skip the taxpayer search; take the EIC. Otherwise, go to Part II or Part III, whichever applies.

For Preparer's Professional Status, see page 4. Q-10 2/07/06 Form 8867 (No. 12-28)

	OMB 1	OMB 2
Is the taxpayer a covered individual for any part of the year on line 3? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the taxpayer (and the taxpayer's spouse if filing jointly) have a social security number (SSN) that allows him or her to work or be paid for EIC purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the taxpayer filing Form 2888 or Form 2888-02 (relating to the resolution of foreign earned income)? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Was the taxpayer a covered individual for any part of the year on line 3? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the taxpayer's filing status married (filing jointly)? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the taxpayer's unremitted income more than the limit that applies to the year on line 3? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Could the taxpayer, or the taxpayer's spouse if filing jointly, be a qualifying child of another person for the year on line 3? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II – Form-based Taxpayers

If filing jointly, is the taxpayer making the EIC for the year on line 3? Yes No

1. **OMB 1** Yes No

2. **OMB 2** Yes No

3. **OMB 3** Yes No

4. **OMB 4** Yes No

5. **OMB 5** Yes No

6. **OMB 6** Yes No

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312. **OMB 312** Yes



Addressing egregious preparers

- Year round visits with possible civil penalties
- Referrals to Criminal Investigation for criminal penalties

Not as easy as it looks

1 Must have earned income

2 Must have a valid Social Security number

3 1 Claiming a child who's not a qualifying child

4 2 Married taxpayers who incorrectly file as single

5 or head of household

6 3 Misreporting Income

7 Ir

4 Incorrect Social Security Numbers

For 2007 the maximum EITC credit is \$4,716



- ✓ Credit phases out as income increases
- ✓ Claiming children raises the limit on income eligibility and increases the value of the credit
- ✓ If married, income eligibility increases up to \$2,000

Qualifying children

Relationship



Age



Residency



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Who Can Claim the EITC?



STEPFATHER

EARNED INC. - \$10,000

MOTHER

EARNED INC. - \$15,000



CHILD LIVED WITH
STEPFATHER 7 MONTHS
AND MOTHER 5 MONTHS

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Who Can Claim the EITC?



**ANSWER: THE
STEPFATHER**

**THE MOTHER OF THE CHILD DOES NOT
MEET THE RESIDENCY TEST.**

**RULE: CHILD MUST HAVE LIVED WITH
THE CLAIMANT IN THE UNITED STATES
FOR MORE THAN HALF OF THE YEAR.**

Who Can Claim the EITC?



STEPFATHER

EARNED INC. - \$10,000

MOTHER

EARNED INC. - \$15,000



CHILD LIVED OVER HALF
THE YEAR WITH EACH

Who Can Claim the EITC?

**ANSWER:
EITHER ONE. THEY DECIDE.**



IF BOTH CLAIM THE BABY, THE TIE-BREAKER RULES WILL APPLY.

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Tie Breaker Rules

- **IF** only one of the persons is the child's parent
 - **THEN** only the parent can treat the child as a qualifying child.
- **IF** two of the persons are parents of the child, and they do not file a joint return together
 - **THEN** only the parent with whom the child lived the longest during the year can treat the child as a qualifying child.
- **IF** two of the persons are parents of the child, the child lived with each parent the same amount of time during the year, and the parents do not file a joint return together
 - **THEN** only the parent with the highest adjusted gross income (AGI) can treat the child as a qualifying child.
- **IF** none of the persons are the child's parent
 - **THEN** only the person with the highest AGI can treat the child as a qualifying child.

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2007

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Who we're missing...

- Childless workers
- Rural taxpayers
- Non-traditional families
- New citizens with English as a second language



Online tools at IRS.gov

- Tax Practitioner Toolkit
(access directly at www.eitcfortaxpreparers.com)
- EITC Assistant
- Publications and worksheets
- Special rules



In a nutshell

- Know the law
- Ask if in doubt
- Maximize the tools
- Reach out to qualifying taxpayers